AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES APPROPRIATIONS FOR 1994

NGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

SUBCOMMITTEE ON AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES

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PART 4

AGRICULTURAL PROGRAMS

Printed for the use of the Committee on Appropriations

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AGRICULTURE, RURAL DEVELOPMENT, AND RELATED AGENCIES APPROPRIATIONS FOR 1994

WEDNESDAY, MARCH 3, 1993.

FEDERAL CROP INSURANCE PROGRAM

UNITED STATES GENERAL ACCOUNTING OFFICE

WITNESSES

JOHN W. HARMAN, DIRECTOR, FOOD AND AGRICULTURE ISSUES, RESOURCES, COMMUNITY, AND ECONOMIC DEVELOPMENT DIVISION

CARL AUBREY, ASSISTANT DIRECTOR

STEVE BROWN, SENIOR ECONOMIST

Mr. DURBIN. Good morning. The meeting of the subcommittee will come to order.

This morning we will be considering testimony on the Federal Crop Insurance Program, and the first panel of witnesses are coming to us from the General Accounting Office. I am happy to welcome John Harman, who is the Director of Food and Agriculture Issues, Resources, Community and Economic Development Division.

Your title is a little longer than the name of this Subcommittee.

Mr. SKEEN. That is tough competition.

Mr. DURBIN. As well as Steve Brown and Carl Aubrey. Thank you both for joining us.

We now have a current GAO report on this program. It will be made an official part of the record, and I invite you, Mr. Harman, at this time, to summarize and highlight as you see appropriate so that we can follow up with some questions.

Mr. HARMAN. Thank you, Mr. Chairman. We are pleased to be here this morning to discuss the performance of the Federal Crop Insurance Program and, as you mentioned, my associates with me at the table are Carl Aubrey on my right and Dr. Steve Brown on my left. Carl has had a great deal of experience over the past number of years on the Federal Crop Insurance Program. He is actually about 25 years old.

Steve is a Doctor in Economics who has been working with us on insurance economics. As you said, our testimony will be in the record and we will be summarizing. Since my formal testimony was submitted, we have been able to update some of the numbers through 1992 and I will be using these numbers in my summary. The updated numbers are not in the formal testimony, but they will be submitted as part of my summary.

My remarks focus on the extent to which the program has met the objectives of the 1980 act and are based on extensive work that we have conducted since the passage of that act.

As you know, the program was substantially revised in 1980 to expand the availability of crop insurance, develop actuarially sound premiums, use private insurance companies to sell, service, and bear risk on the policies, and abolish government-funded disaster payments.

From 1981 to 1992, the program cost some $11.5 billion—$8.8 billion for total claims and $2.7 billion for FCIC's operating expenses. Since 1980, the Corporation has expanded the program and used private insurance companies to sell policies and administer claims. However, these measures have not been sufficient to meet all of the 1980 act's objectives and have contributed to high losses.

For the remainder of my time, I would like to make four points. The first one is, while FCIC has rapidly expanded the program, as the act anticipated, by over 250 percent since 1981, this expansion was done without developing actuarially sound premiums. Because the premiums were not actuarially sound, losses exceeded premium income by over $2.6 billion during the 1981 to 1992 time period.

I will refer you to the chart on my left which shows those figures. From 1981 to 1992, FCIC increased the number of crop programs from almost 6,000 in 1981, 5,969 to be precise, to over 21,000 in 1992. The biggest increase is a very steep climb in 1981 to 1982 where it increased from some 6,000 crop programs to almost 14,500 crop programs, an increase in that one year of some 140 percent.

Unfortunately, FCIC did not develop appropriate premiums for these new programs before they were in place, and program expansion proceeded in the absence of actuarial soundness. To be actuarially sound, FCIC must charge premiums that over time are sufficient to cover indemnities.

We have reported several times since 1981 that FCIC did not develop premiums that were consistent with the level of risk involved. Without actuarially sound premiums, as I said, FCIC experienced underwriting losses that exceeded $2.6 billion during that 1981 to 1992 time period.

The next chart illustrates the effect of program expansion on FCIC's loss ratio—the ratio of indemnities paid to premiums collected. Of course, a loss ratio less than or equal to one means the premiums are sufficient to cover the losses.

As shown by this chart, the loss ratio prior to 1980, when the act was passed, hovered pretty much around the ratio of one, falling below it a number of times and going above it several times. But as shown since 1980, the loss ratio has always been above one, and sometimes going over two. The estimated loss ratio for 1992, which is not on that chart, is 1.37. This reflects, we think, FCIC's difficulty in establishing actuarially sound premiums in such a rapidly expanding program.

My second point concerns the act's objectives to increase the use of private insurance companies. This is an issue the Subcommittee has been keenly interested in for some time. Since 1980, FCIC has substantially increased the use of private insurance companies to deliver the majority of crop insurance policies.

Now, the bad news associated with that is that FCIC bore most of the risk on those policies. Consequently, while FCIC had underwriting losses, reinsured companies had underwriting gains in most years. The risk sharing provisions of the standard reinsurance agreement have allowed the reinsurance companies to transfer most of the risk to FCIC.

As early as 1984, when reinsured companies delivered an estimated 50 percent of crop insurance, we recommended that USDA moderate further expansion of the reinsurance program until it could be evaluated to ensure cost effectiveness for both FCIC and the reinsured companies. However, FCIC continued to increase the portion of crop insurance delivered by reinsured companies representing about 88 percent of the premium value in 1992 (as of October 1992).

Now, as shown by this chart, reinsured companies either earned underwriting gains in years when FCIC had underwriting losses or experienced very limited losses. More specifically, FCIC experienced net underwriting losses each year from 1981 to 1992 which now totals $2.6 billion when 1991 and 1992 are added to the chart, yet the reinsured companies had underwriting gains in nine of those 12 years, contributing to an overall net underwriting gain of now about $170 million.

In 1988, as highlighted on the chart—because that was, of course, a drought year—you can see that the underwriting loss that FCIC assumed was $616 million as opposed to $8 million for the reinsured companies. While some changes occurred in the 1992 standard reinsurance agreement as required by the 1990 Farm Act, the amount of risk retained by companies remains limited compared with FCIC's risk. We estimate that FCIC would still bear about almost 75 percent of the total risk of loss in a worst case scenario under the 1992 agreement.

The third point is that FCIC does not sufficiently control how private insurance companies service crop insurance policies, particularly claims adjustments. We reported a 31 percent overpayment rate for claims we reviewed in 1987. While reinsured companies improved their performance in a subsequent review, the overpayment rate remained high. FCIC has since improved its oversight of claims adjustments, but, in 1992, USDA identified overpayment of claims as a continuing high risk area.

The fourth and final point relates to the impact of other forms of disaster assistance on the insurance program. Despite the 1980 revisions to make crop insurance a preeminent means of providing agricultural disaster assistance, direct disaster payments to farmers and emergency loans expanded throughout the 1980s.

As shown on this chart, of the $25 billion spent between 1980 and 1990 for all three of the disaster programs, between 24 and 25 percent was spent on crop insurance. That represented about $6 billion. The remainder, $19 billion, was spent on emergency loans and direct disaster payments.

Now, in 1980, it was envisioned that crop insurance participation would reach 50 percent of eligible acres and abolish government-funded disaster payments. However, despite Federal subsidies, crop insurance participation has never reached that level. The highest participation rate, which is 40 percent, was achieved only in 1989

and 1990, and at that time participation was mandatory for farmers who had received disaster payments during the previous year to be eligible for future disaster payments.

In summary, Mr. Chairman, the Federal Crop Insurance Program has not achieved many of the objectives anticipated by the 1980 act. While FCIC has significantly expanded the program, it has done so at a price—underwriting losses of some $2.6 billion between 1981 and 1992—and FCIC has also involved private industry in the operation of the program.

If you look at where they started and where they are now, private industry obviously is very involved in the program, but again it has been at a price—the industry has assumed very little of the risk. It earned underwriting gains of some $170 million, while FCIC, the government, lost some $2.6 billion.

Now, further insufficient oversight over these companies has led to claims adjustment practices that have resulted in millions of dollars in overpayments. Finally a major objective of the legislation—to make crop insurance a preeminent means of providing disaster assistance—has not been achieved.

We believe that fixing the problems facing FCIC is more complicated than just raising premium rates to build reserves for catastrophic losses, especially under conditions where Congress continues to provide ad hoc disaster payments. It involves a number of value judgments and policy decisions on the part of Congress and the administration.

Until the policy and management problems with Federal crop insurance are addressed, the insurance companies will have neither the capability nor the incentive to assume significantly greater amounts of risk.

That concludes my summary, Mr. Chairman. We would be pleased to answer any questions you or the Members may have.

[CLERK'S NOTE.—Mr. Harman's prepared statement appears on pages 29 through 49.]

Mr. DURBIN. Thank you, Mr. Harman. You were entirely too kind. This program is a bigger disaster than the Federal Crop Insurance Program is designed to protect against. By virtually every standard, this program has failed.

First, by classic definition, could this be called insurance?

Mr. HARMAN. By classic definition of commercial insurance, no, it is not insurance. It faces a lot of problems that commercial insurance doesn't face and, as a result of that, it has led to a lot of losses. We can assume you are going to get into it a little bit deeper, but we have some thoughts about how they got to that condition and how to avoid that kind of problem in the future.

Mr. DURBIN. One of the GAO reports suggested a year or so ago that this program was paying out about $1.40 for every dollar collected in premiums. Is that about right by your recent analysis?

Mr. HARMAN. That is about right, $1.40 or $1.50.

Mr. DURBIN. Obviously, no commercial insurance venture could survive with this type of experience over a year or two, let alone 12 years.

Mr. HARMAN. If this were a business, we would have been out of business many, many years ago.

Mr. DURBIN. It boils down basically to a crop loss subsidy program?

Mr. HARMAN. That is exactly what it is.

Mr. DURBIN. It is not an insurance program?

Mr. HARMAN. Not at this point.

Mr. DURBIN. How much blame can be assessed against Congress for the Farm Bill's expansion of this program and the decision to go with private insurance companies?

Mr. HARMAN. Well, that is hard to say. What has happened in my view, and I have been involved in this program some eight years now, is that there was a tremendous incentive or a desire to increase private industry participation in this program. That drove the program in the early years. There was also a tremendous desire to increase the number of crops that were covered by the program.

Now, that one chart showed that. So driving in that direction without considering oversight or what it is going to cost—now, how much of that was Congress saying to the Administration at that time, we want you to do that, and how much was the Administration's policy, it is hard to really say—but that was the genesis of a lot of the problems that the program is facing now.

Mr. DURBIN. Who sets the premiums on the insurance policies that are sold?

Mr. HARMAN. FCIC basically sets those premiums, and Congress has put limits on those premiums.

Mr. DURBIN. It is my understanding that Congress, in the 1990 Farm Bill, limited the increase in annual premiums to 20 percent in any given year. Is that your understanding?

Mr. HARMAN. I believe that is correct.

Mr. DURBIN. All right. Have you been able to chart whether or not the premiums were, in fact, increased to that maximum level of 20 percent each year since then?

Mr. HARMAN. Steve, do you know that?

Mr. DURBIN. I am talking specifically about those crops and circumstances where we were experiencing greater losses than our premiums covered.

Mr. HARMAN. I am not sure we know. We haven't done that. Steve, have you done that?

Mr. BROWN. In some cases, yes, they have taken advantage of that legislative authority. I don't know in every case, but, yes, they have raised rates in some cases.

Mr. HARMAN. I don't think we know whether they have raised them to the max every time.

Mr. DURBIN. And of course your conclusion is that the program is still not actuarially sound?

Mr. HARMAN. That is correct, it is not actuarially sound.

Mr. DURBIN. Let me ask you about the private insurance companies that are involved in the reinsurance agreements here. With the exception of 1988, your chart indicates that this program has been a bonanza for private insurance companies that have participated in it, does it not?

Mr. HARMAN. I would say they haven't left the business by and large.

Mr. DURBIN. In fact your chart does not include the last year, at least 1991, which shows that there was a payment to these reinsurance companies in that year of $56.6 million.

Mr. HARMAN. That is correct.

Mr. DURBIN. While at the same time the program itself was losing how much? $190 million? So we are continuing to pay out to the vendors of this insurance program and the adjusters of the insurance policies rather generous sums while the program itself is failing miserably.

Mr. HARMAN. And of course that doesn't include, I don't believe, the administrative cost reimbursement these companies receive.

Mr. DURBIN. You also said that in 1987, which of course is quite a few years ago now, you found the overpayment rate at 30 percent. Can anyone on the panel here tell me what the industry standard is when insurance companies are audited, as to their own overpayments on losses?

Mr. HARMAN. Now, that I don't believe we know, Carl, unless you have some information I am not aware of. We didn't look at that. But, as I remember, I was there at the time we did that work, and we did some follow-up work that also showed they were improving somewhat but still at a fairly high rate.

We just don't know what the private experience is out there. I would have to venture a guess that it is not anywhere close to 31 percent.

Mr. DURBIN. This situation has all the earmarks of the Federal deposit insurance business where a lot of people were making bad management decisions and the ultimate party holding the bag was the American taxpayer.

Mr. HARMAN. Yes, that is true to a point, I think, but I think some of it was the design of the program and the fact that it was expanded so quickly without any kind of testing. We went from a program that seemed to be working pretty well—the loss ratios were down, but it wasn't very widespread.

Then we took that and spread it very quickly to a lot of other programs where we didn't have data to know whether or not we would develop actuarially sound premiums, and we tried to bring private industry in very quickly.

I think our preference would be, looking back on it—and in fact in 1984, 1985 we did issue reports saying we ought to slow this program down—to go more into a pilot kind of program like they are doing now with the area yield and then test it out and move a little more slowly into this kind of situation. We might not be where we are today if that had been done.

Mr. DURBIN. Is it your opinion that there are certain crops which we cannot realistically insure?

Mr. HARMAN. I would have to say yes, there are certain crops that you cannot insure. Under the typical definition of insurance, there are certain crops you can't insure.

Mr. DURBIN. In other words, the premiums are going to be so high that the producer wouldn't be able to pay the premiums?

Mr. SKEEN. Give us a run down on some of those crops.

Mr. HARMAN. There are certain areas even where the major crops may not be insurable. For instance, corn in Maine where there is not enough data on actuarial soundness.

Mr. SKEEN. The actuarial data does not support the——

Mr. HARMAN. Either that or it doesn't exist. Or as the Chairman mentioned, even for some of your major crops, it could very well be there are areas where your premium would have to be so high, people are just not going to buy it, and then you have to decide—when we talk about some of the policy decisions that have to be made, I think this is where you are getting into those kind of areas—to what extent do you want to support and keep those people that suffer losses in those kind of situations going through some type of disaster assistance program. We are not against disaster assistance.

Mr. SKEEN. Thank you. And I thank the Chairman.

Mr. DURBIN. Thank you, Mr. Skeen. I look at some of these crops—with all due respect, Mr. Peterson, citrus trees, 24.3 percent loss ratio—and virtually everything above one is going to be a loser in terms of your collecting enough premiums to cover the losses, is that correct?

Mr. HARMAN. That is correct. The specialty crops, I might mention, are ones that have been covered more by the disaster programs than they have by the crop insurance programs.

Mr. DURBIN. We are not picking on the citrus industry. We have oats, 4.6, remembering that 1.0 is the break-even point, and on and on. There are just very few that are below one here.

Mr. HARMAN. Tomatoes seem to do well.

Mr. DURBIN. Very good, that is a good investment.

Mr. SKEEN. Ms. Kaptur is not here.

Mr. DURBIN. She should be here to discuss that. Now, there has been a suggestion from the previous Chairman of this committee and this Subcommittee over the years that we should shift from private insurance companies, involved in the sale and adjustment of these insurance policies, to the ASCS Office.

Do you have an opinion on whether that would be an improvement in the management of the program?

Mr. HARMAN. Again, it depends on what you are trying to achieve here. ASCS has worked up some numbers which would indicate it would be cheaper, much cheaper, for them to run this program than it would be to run it through an insurance type program with FCIC.

We have taken a look at some of those numbers and do have some questions about it. As a result, we have written the Secretary to clarify and to maybe do a study that is more in line with OMB guidelines. But, given the administrative costs that are associated right now with FCIC, it certainly appears that it would be cheaper to run it through ASCS.

Again, it depends on what kind of objectives you have. In our view, we need to integrate this program with disaster assistance. We don't think this program is going to really do very well until disaster assistance is integrated with it.

Mr. DURBIN. Well, it will be interesting because you would have to have some close integration. At the moment, the two virtually compete.

Mr. HARMAN. That is correct.

Mr. DURBIN. Many producers counting on the Federal Government to come through with disaster payments if there is a general disaster don't buy crop insurance.

Mr. HARMAN. That is correct.

Mr. DURBIN. I know there has been a difference of opinion from time to time on whether or not we should mandate crop insurance and eliminate all disaster payments or some other variation. Much of that will be left to the authorizing committee to sort out, but I think it is fair to say, from what you have told us this morning, that our experience over the last 12 years has been disastrous. In fact, we have a classic example of a government program that is out of control, it is mismanaged at best and perhaps misdirected by Congress.

From my point of view, we can no longer afford the luxury of investing hundreds of millions of dollars into this failure when, as everyone is aware, we are dealing with a budget deficit. With the pressure on other agricultural programs, we are going to have to come up with some form of crop loss protection that works, and clearly this does not.

Mr. HARMAN. I would agree with that 100 percent, Mr. Chairman.

Mr. DURBIN. Thank you.

Mr. Skeen?

Mr. Harman, that is very interesting testimony this morning, and I wonder if in your research have you done anything on the cumulative effect of the programs that we have had?

Our problem in the past is that we have tried to come up with a privatized system to cover these disasters, these agricultural disasters and to get away from disaster payments because they haven't been a success anymore, so then the——

Mr. HARMAN. They have their own drawbacks, that is right.

Mr. SKEEN. With regard to emergency loan programs, you are looking at a huge problem for the American taxpayer. On the other hand, you have the responsibility of helping the agricultural producer to cover themselves.

I understand, you mentioned that in your testimony that you had had some recommendations. I would like to hear those recommendations. How would you make an overall comprehensive program work that would satisfy lenders, agricultural producers, and save the taxpayers money?

Mr. HARMAN. There is one thing that we don't know. If we were in a business, I think we would know, or we wouldn't be in business very long, and that is, what is our market—what is the nature of that market. We made recommendations in the past and FCIC is, I think, now working on getting some of the information.

It is hard to make judgments about what you should do when you don't know what the need is. That is one thing that needs to be done. But short of that, I think Congress is on a faster pace than that with this program right now. We are looking at some alternatives right now with the Senate Agriculture Committee, and one that seems to offer some possibilities is, first of all, it needs to be integrated.

You are going to have to have a program——

Mr. SKEEN. Integrate all the emergency programs.

Mr. HARMAN. Integrate these programs. It seems to me that what Congress is trying to do and what the Federal Government is trying to do is to cover individual producers' catastrophic losses so they are not wiped out and taken out of business by all the various things that can happen to a farmer in doing his business, weather being the biggest one.

Mr. SKEEN. The National Farmers Financial Health or Wealth Board.

Mr. HARMAN. That is correct. There is a certain amount of business, as the Chairman mentioned, there are certain crops, certain situations which you are not going to be able to cover with insurance, and that may be part of the disaster program.

Mr. SKEEN. That is how we got ourselves into trouble with FCIC because they expanded it. As you mentioned, they wanted to try to cover as much as they possibly could——

Mr. HARMAN. That is right, that is exactly right.

Mr. SKEEN [continuing]. Without the actuarial background.

Mr. HARMAN. Then there is a certain amount of that business that insurance companies should be able to take and to make a profit on. Now, how much of that I am not sure at this point, but that is where we need some data, we need some information to make those kind of judgments. But in the final analysis—I know last year or year before last, I can't remember now, it seems like this is an annual event—but we talked about that kind of possibility, but, of course, disaster payments and disaster programs are not on budget. They are ad hoc.

When you start designing a program that integrates them, you automatically score them as on budget. So with the budget situation, you get caught between the proverbial rock and a hard place from your standpoint. So I think it is a matter of deciding how much are we willing to spend on this, how much is necessary to keep people in business, and then let people know because, right now, the customer doesn't really know.

Right now, the customer is out there saying, well, if I don't take out this insurance, then, if it is a broad enough disaster, I will be covered by disaster payments. And if you are in pretty good shape financially, and are not leveraged a great deal, then you are in a position to take that kind of risk.

Now, if you are leveraged, that is a different situation.

Mr. SKEEN. It depends on every operation.

Mr. HARMAN. That is right.

Mr. SKEEN. Would you concede there is a place in this integrated system somewhere for crop insurance?

Mr. HARMAN. Yes, I will concede that. I am still not sure—it depends—you say insurance. It is like the Chairman said, I am not sure if we need insurance in this program. But in the commercial sense, I think there is room for commercial insurance in this program.

Mr. SKEEN. There is a sector in this whole gamut that works if it were done on an actuarially sound basis?

Mr. HARMAN. It has to be actuarially sound or the companies won't participate, and I wouldn't either if I were a company.

Mr. SKEEN. Have you offered your research to FCIC?

Mr. HARMAN. Oh, yes, we have been dealing with FCIC on these issues since 1980.

Mr. SKEEN. Do you get cooperation?

Mr. HARMAN. It varies. Right now I think we are getting very good cooperation.

Mr. SKEEN. You don't have to hedge.

Mr. HARMAN. No, it has varied. I think particularly in the early years, the corporation was not quite as good as it is now. When we did the work on loss adjustment, when we hit the 31 percent, that seemed to get a lot of people's attention, and indicate that there are not only problems out there, inherent problems with the program, but there are problems in the way it is being administered, and that got a lot of attention from a number of different members and from FCIC. And at that point they started to make some management improvements which we thought were good at that time.

Mr. SKEEN. Well, any program that you come up with has to be one that is effective insofar as, covering the needs of farmers, their lenders and their programs. The other thing is taking care of the taxpayers' interest by getting us away from these massive legislative bailouts.

Disaster payments have been just as bad in the Farmers Home Emergency Loan system. Also, it must be attractive to lenders, because one of the most difficult areas is getting operational financing for agricultural type operations because banks are more or less disinclined to cover these farmers unless there is some assurance that they will get payment.

Is FCIC prohibited from changing the actuarially sound premiums without permission from Congress?

Mr. HARMAN. That is correct.

Mr. SKEEN. So we have been holding the throttle on this program?

Mr. HARMAN. That is correct. There is always a trade off. You increase premiums, you reduce participation. This still gets back to the customer. In government we sometimes don't do a very good job of understanding what our customer wants. And in this case, this is a business operation, and we need to know.

Mr. SKEEN. Congress has a real problem with understanding businesses because so few Members of Congress had any experience in business.

Mr. HARMAN. I am not going to comment on that.

Mr. SKEEN. I don't want you in that trap.

Mr. MYERS. Present company excepted, of course.

Mr. HARMAN. Of course.

Mr. SKEEN. But let me ask you this: You mentioned the ASCS participation. I think the Chairman had a question in that regard, and it was a good one. We have been tussling with that program.

My concern is you are asking ASCS personnel to do something that they haven't been trained or equipped to do. It takes a massive program to qualifying these folks to handle this kind of a program, and—now with the withdrawal of personnel from field offices, it seems you are working opposite purposes.

Mr. HARMAN. Well, the consolidation of field offices, if you gave this program out to ASCS, would have to be considered. I think the Secretary is considering different options that he may take to give

coverage within each county, but that is a consideration. There would be some upfront costs to do that, and it would increase Federal employment.

Mr. SKEEN. Let's go back to the oversight on overpayment and claims investment. You have made specific recommendations to FCIC to remedy that problem?

Mr. HARMAN. Yes, and the most significant one of those recommendations had to do with creation of a compliance unit within FCIC to insure that these companies are adjusting losses correctly—because the incentive for the companies, if they don't share that much in the losses, is not that great.

Mr. SKEEN. If you don't share in the pain, you are not that interested in——

Mr. HARMAN. There were some very egregious situations we ran into, but they did create that unit. The losses have come down, the claims adjustment errors have come down. They are still fairly high, but we are not convinced at this point that that unit is staffed as much as it should be.

You get into an issue of what the role of the Federal Government should be in this kind of situation—whether or not FCIC should be setting the standards and the companies having the right quality assurance program out there to make sure that these claims are adjusted correctly, and then FCIC going in on a statistical basis or not going in on a detailed audit on every company.

That is just not possible, and we think the better way is to set up some kind of program and a strategy that would identify those companies that are having more problems and dealing more with them and then looking at the systems they have to assure quality of these claims adjustments.

Mr. SKEEN. Well, I appreciate your testimony, because I think if we are ever going to have a program that works. It must be efficient from the prospect of all the interested parties. It is going to take that kind of cooperation. I appreciate your input. Your research is very valid. It is a severe problem. I hope we can get something done about it.

Thank you, Mr. Chairman.

Mr. DURBIN. Thank you, Mr. Skeen.

Mr. Peterson?

Mr. PETERSON. Thank you, Mr. Chairman.

It interested me, a comment you made that you have come up here annually to make this report.

Mr. HARMAN. Not before this committee.

Mr. PETERSON. But as a result of those previous reports, have actions been taken to genuinely address the concerns that you have expressed?

Mr. HARMAN. Yes and no. The actions that have been taken have primarily been in the areas of claims adjustments, improving those error rates that have occurred as well as the most recent standard agreement that transferred more of the risk to the reinsured companies, although it is still fairly low.

Overall, that has been the area where the action has been—you may want to comment, if you think of anything else, Carl—but, in my judgment, that is where the improvements have been made.

Now, we have been up here before other Committees dealing with these same issues, we are struggling with them now and looking at alternative approaches we could take with this program. You have to make some judgments—and they become policy judgments the GAO can't make—and we are going to try to see if we can get some judgments.

Mr. PETERSON. Well, my point is not what the crop insurance people have done, but what have we done? Obviously it is a Catch 22 here, to a large degree. We are asking maybe the impossible and then complaining that the numbers aren't right.

Is that a relatively accurate appraisal or is that acceptance of blame that we shouldn't take?

Mr. HARMAN. I would say at this point that is a very real possibility. The only thing I can think of that has been done related to improving the situation has been in the 1990 Farm Bill to require this issue of transferring more risk to the private companies.

Mr. PETERSON. How much is that risk increased?

Mr. HARMAN. There are three different pools that the companies can put their claims into, and it depends on the pool how much the risk is increased, but it is anywhere between 5 and 10, 15 percent within those pools that it is increased. Depending on the loss ratio, again, it is very complicated.

That is another issue, we have a very complicated system set up to share gains and losses with these insurance companies. Yet the government has taken, for the most part, the losses, and the insurance companies have taken for the most part the gains.

To me it would raise a question as to whether or not we should be asking these companies to just sell and service the policies and forget about all this gain and loss adjustment. Gain sharing and loss sharing business as it stands now, if we look over 11, 12 years, totals $2.6 billion in losses that the government has assumed and $170 million in gains the companies have received.

If all you had was them selling and servicing the policies, you would be paying them the 32 percent which we have mentioned several times we think that is a little high, but nonetheless, it would be paying them that. You would be picking up at least the $170 million. That is just a question that has to be raised.

But then again, that moves away from one of the objectives of the act, which is to move more of the business, the responsibility, the risk and the gains out to private industry.

Mr. PETERSON. That is the administrative costs you are talking about?

Mr. HARMAN. 32 percent, 34 percent, it varies.

Mr. PETERSON. That is not even covered in this number?

Mr. HARMAN. No, it is not. How high is that, Carl?

Mr. AUBREY. It totals $1.6 billion for the 12 years, the administrative reimbursement.

Mr. PETERSON. We have set that number in Congress?

Mr. HARMAN. No, that number has been negotiated between FCIC and the reinsured companies.

Mr. PETERSON. Let's change gears and go to the proposed area yield program. Have you received adequate data that would allow us to move to an area yield program without a major disruption?

Mr. HARMAN. No, it is not. That program is not—Carl may talk about it in more detail, but to my knowledge, it is not operated yet in terms of selling policies and adjusting policies. It is about a three-year pilot. I think that approach is being taken. This is a very, very good approach. It is designed to deal with one particular problem.

Now, whether dealing with that problem, if it even works, whether that will work in other crops and other situations is a question. We think that that pilot needs to run its course, then make some judgment. I think that your risk is going to be increased if you take that concept and try to apply it nationwide without knowing.

Obviously we think there is a potential to decrease the administrative costs, and there is potential to reduce some losses, but there is also potential that losses could increase if you are not sure how that is going to work with certain crops and certain parts of the country and certain situations.

So we would argue that a pilot approach is a really good way to go, particularly when you are not sure what is going to happen, and if it had been used back in 1980 I think, as I said, we had doubts that we would be——

Mr. PETERSON [continuing]. Where we are. Do you think, then, by 1995 when we do the new farm bill, that adequate data will be available to make a reasonable determination of the program's merits?

Mr. HARMAN. As far as I know, it will be available. Carl, do you have any other information?

Mr. AUBREY. I think it will be at least two years into it.

Mr. HARMAN. They should have some information at that time to be able to make some judgments about that. That kind of approach makes us somewhat optimistic because it does handle some of the problems that the crop insurance program has faced, but then again, as I said, if you don't have the right data to make judgments about area yields and you make the wrong judgments, you could end up with higher losses.

Mr. PETERSON. Right. Well, you also have a financial problem in that your banks have to accept whatever is out there.

Mr. HARMAN. That is another drawback. I think the banking industry would have to be brought into the situation and agree to do that. Whether they would agree to do that, I don't know.

Mr. PETERSON. A last question just for curiosity. What is the latest time a farmer can contract for crop insurance?

Mr. BROWN. Well, closing dates vary by crop and by area of the country. They are typically before planting.

Mr. PETERSON. So before planting they buy the insurance. They can't get into a year and then make judgments after you have got it in the ground?

Mr. BROWN. Correct.

Mr. HARMAN. That was one of the problems we found in the claims adjustment. We ran into some of that—the policies were issued after the planting date and then backdated.

Mr. PETERSON. Well, I have had some of my constituents suggest that that was occurring, too, so that was the basis of the question.

Mr. DURBIN. Will the gentleman yield for a moment?

Mr. PETERSON. Absolutely.

Mr. DURBIN. I think the gentleman raised a point I would like to follow up on, the 32 percent commission being given to private insurance companies. Did I hear in the testimony or have I learned otherwise that that has been negotiated from a lower rate in previous years to 32 percent?

Mr. HARMAN. I believe it has been hovering around that figure for most of the time this program has been in existence. We have some figures here that show what it is, but it has ranged from 28 to 34 percent.

Mr. DURBIN. So your chart that showed the amount of money going to the private insurance companies over the years indicates a figure separate and apart from the commissions being paid to these insurance companies?

Mr. HARMAN. That is correct. That is underwriting gains.

Mr. DURBIN. In other words, some kind of a profit is given to the insurance companies even though we know year in and year out that the overall program is losing money. The amount of money that is being paid is $1.6 billion, did you say?

Mr. AUBREY. Through 1992.

Mr. DURBIN [continuing]. For commissions. So that, for example, in 1991, if these figures are accurate, the Federal Government paid out $248 million in commissions or reinsurance expenses to the companies. I don't have the separate chart here, but I think it was somewhere in the neighborhood of $56 million in profit to the insurance companies, while we were losing——

Mr. HARMAN. About $200 million.

Mr. BROWN. Those companies do bear expenses, they have to pay their agents commissions.

Mr. DURBIN. I understand.

Mr. Myers?

Mr. MYERS. Well, thank you, Mr. Chairman.

Having been in and out of the Federal Crop Insurance Program through the years, a number of years ago they quit insuring me.

When I worked for a living, I was a country banker and a farmer. We still have the farm and still have the bank, too. The river near my farm does get out quite often, and they quit insuring me for a while under the Federal Crop Insurance Program.

You are back in the business again. I shouldn't be insurable, that farm shouldn't be, I shouldn't even own it.

Mr. SKEEN. Is this confession time?

Mr. MYERS. Confession is good for the soul but not good for the pocketbook. I have to tell this story. Years ago when I was in the bank I made an offer on an adjacent 200 acres and river bottoms, and the offer was under what the guy wanted. He said I couldn't sell it for that. I said I wouldn't either if you can get more money. I said I will pay you for it.

The river came out. I called him that morning, said I am sorry, I withdraw my offer. An hour later, his representative came in to accept the offer. I said well, I am sorry, I have already withdrawn it. In any event, you are still insuring me, and I don't think there has been hardly a year—it has either been a drought or a flood, feast or famine.

Mr. HARMAN. I think that is a very good reason that we need to adjust the premiums to the risk.

Mr. MYERS. I don't question that one bit. But I am not real sure, I look through the list of things you are doing here, how much you are helping at the General Accounting Office. How many people do you have?

I was looking here at your Appendix I. You have, if I count up right, 36 studies since 1980. That is about three a year. How many people are working on these projects?

Mr. HARMAN. On crop insurance, it varies, but I would guess—and Carl can add because most of our people work on this out of our Kansas City office—I would say, what, Carl, five or six people?

Mr. MYERS. Continually?

Mr. HARMAN. It seems that way, yes.

Mr. MYERS. How many studies have you got going now? You haven't reported one out since January of last year.

Mr. HARMAN. We have two. We try to keep busy, but we have two ongoing reviews. Both of them are for the Senate Agriculture Committee. One is looking at inherent problems with the program, what inherently is in that program that just doesn't look——

Mr. MYERS. Did you need a study to do that?

Mr. HARMAN. I think a lot of times what we get into is people seem to think they know what the problems are, and they go to try to create solutions for those problems, and the solutions turn out not getting at the right problems, so that is what some of that study is designed to do. Let's make sure we understand what the problems are, and then the other one is looking at alternatives.

Mr. MYERS. Since you are accounting, I am sure you have a figure for these 12 or 13 years what these studies have cost. Would you provide that for the record?

Mr. HARMAN. We may be able, if the records haven't been destroyed at this point, to provide for the record on the more recent ones the number of staff days it has taken to do those jobs.

[The information follows:]

GAO REPORTS ON FEDERAL CROP INSURANCE 1985–92

As you requested, attached is a listing of GAO reports addressing the federal crop insurance program between 1985 and 1992. Data prior to 1985 are not immediately available because the data is archived and would take an additional 2–3 weeks to retrieve.

We did not provide staff days/costs for GAO/RCED-91-137, GAO/RCED-90-142, and GAO/RCED-86-118 because those reports covered issues related to federal crop insurance but did not pertain primarily to crop insurance. Additionally, testimonies referenced in the attachment to our March 3, 1993 testimony were not listed because their costs are incorporated within related reports.

All the reports listed were prepared either in response to a congressional request or a statutory mandate.

RESOURCES, COMMUNITY, AND ECONOMIC DEVELOPMENT DIVISION (RCED)

Report #	Title	Staff Days	Costs
GAO/RCED-85-155	Information on the Federal Crop Insurance Corporation's 1986 Standard Reinsurance Agreement	86	$ 34,142
GAO/RCED-87-77	Crop Insurance: Federal Crop Insurance Corporation Needs to Improve Decision-Making	1,052	447,100
GAO/RCED-88-7	Crop Insurance: Overpayment of Claims by Private Companies Costs the Government Millions	1,588	717,776
GAO/RCED-88-24	Crop Insurance: Conflict-of-Interest Problems Involving an FCIC Official	553	249,956
GAO/RCED-88-171BR	Crop Insurance: Participation in and Costs Associated With the Federal Program	164	74,128
GAO/RCED-88-211BR	Crop Insurance: Program Has Merit, but FCIC Should Study Ways to Increase Participation	43	19,436
GAO/RCED-89-10	Crop Insurance: FCIC Needs to Improve Its Oversight of Reinsured Companies	323	149,872
GAO/RCED-89-19	Crop Insurance: FCIC Should Strengthen Actual Production History Program Controls	452	209,728
GAO/RCED-89-211	Disaster Assistance: Crop Insurance Can Provide Assistance More Effectively Than Other Programs	124	57,536
GAO/RCED-90-32	Crop Insurance: Private Company Loss Adjustment Improving, but Overpayments Still High	1,792	922,880
GAO/RCED-92-25	Crop Insurance: Program Has Not Fostered Significant Risk Sharing by Insurance Companies	944	536,192
RCED TOTALS		**7,121**	**$3,418,746**

ACCOUNTING AND FINANCIAL MANAGEMENT DIVISION (AFMD)
(STATUTORILY MANDATED)

Report #	Title	Staff Days	Costs
GAO/AFMD-85-54	Examination of the Federal Crop Insurance Corporation's Financial Statements For the Year Ended September 30, 1984	994	$ 451,276
GAO/AFMD-86-58	Financial Audit: Federal Crop Insurance Corporation's Financial Statements for 1985 and 1984	792	361,152
GAO/AFMD-87-36	Financial Audit: Federal Crop Insurance Corporation's Financial Statements for 1986 and 1985	636	262,032
GAO/AFMD-90-43	Financial Audit: Federal Crop Insurance Corporation's Fiscal Year 1988 Financial Statements	686	341,628
GAO/AFMD-90-107	Financial Audit: Federal Crop Insurance Corporation's Financial Statements for 1989 and 1988	82	40,836
AFMD TOTALS		**3,190**	**$1,456,924**

PROGRAM EVALUATION AND METHODOLOGY DIVISION (PEMD)

Report #	Title	Staff Days	Costs
GAO/PEMD-91-27	Crop Insurance: FCIC's Internal Controls on Safflower Coverage Must Be Improved	17	$ 9,996
GAO/PEMD-92-4	Crop Insurance: Inaccurate FCIC Price Forecasts Increase Program Costs	332	198,536
PEMD TOTALS		**349**	**$ 208,532**
TOTALS ALL DIVISIONS		**10,660**	**$5,084,202**

GAO REPORTS ON FEDERAL CROP INSURANCE
1983 and 1984

As you requested, attached are the costs of GAO reports on the Federal Crop Insurance Corporation prior to 1985. On March 25, 1993, we provided you 1985-1992 job costs. We are unable to provide costs for jobs prior to 1983 because GAO's computerized archive system does not contain such data. Testimonies and letters referenced in the attachment to our March 3, 1993 testimony are not listed because their costs are incorporated within related reports. All the reports listed were prepared either in response to a congressional request or a statutory mandate.

Report #	Title	Staff Days	Costs
GAO/RCED-83-117	Information on the Federal Crop Insurance Program	360	$122,400
GAO/RCED-83-114	Information on the Federal Crop Insurance Corporation's 1983 Standard Reinsurance Agreement	115	39,100
GAO/AFMD-83-74	Review of the Federal Crop Insurance Corporation's Financial Statements for the Year Ended September 30, 1981	1,005	405,015
GAO/RCED-84-65	More Attention Needed in Key Areas of the Expanded Crop Insurance Program	109	40,003
GAO/RCED-84-169	The Federal Crop Insuance Corporation's Efforts to Provide Monthly Reports to the Senate Committee on Appropriations	107	39,269
TOTAL		**1,696**	**$645,787**

Mr. MYERS. It costs an awful lot of money for these studies.

I don't find any study in here comparing the efficiency and cost of disaster payments versus crop insurance. Has there been a study on that?

Mr. HARMAN. Carl, you can talk about this—almost any question it seems like you can raise, we have studied.

Mr. MYERS. My next question, how do you decide which issues to study?

Mr. HARMAN. Let Carl answer the first one and I will take on the second one.

Mr. AUBREY. Part of the question on efficiency is—what we discussed with Senate Ag—we tried to look at alternatives. Because if you look at the disaster assistance program, it doesn't cost much to deliver a dollar's worth of benefit to the farmer—administratively it doesn't.

On the other hand, it is dependent on that event affecting a wide geographical area, whereas the insurance program is designed to cover a farmer who suffers a loss, and the overhead costs that go into developing the insurance and selling it is much higher per dollar delivered to the farmer.

But being able to calculate those numbers doesn't give you a right answer as to which is preferable because it seems each is designed to serve a different need. The one who is highly leveraged is more apt to be forced into insurance, whereas one who is not so highly leveraged may say, "I will take my chances with disaster".

So calculating——

Mr. MYERS. Again, we don't need a study to know that.

Mr. AUBREY. I understand, but to pull some of the information together is what we are trying to do.

Mr. HARMAN. The data that would come out of that would at least give you an idea of why certain people are not participating and others are. Right now, yes, we know that, but I don't think we know the extent and in which areas of the country that is occurring.

Mr. PETERSON. Would the gentleman yield?

Mr. MYERS. Certainly.

Mr. PETERSON. Are you creating the need for the study or are you getting a request for the study by either congressional or executive staff.

Mr. HARMAN. In this area, I can talk in general about how we operate, particularly within the food and ag issue area. But in this particular area we were brought in early, when this program started in 1980, and a lot of our work was done at the time for Mr. Jones' Subcommittee of the House Ag Committee, now Mr. English's Subcommittee as well as the Senate Ag Committee.

It is a joint kind of thing—here are the type of things we think need to be looked at in this program, but also they are saying to us we want to keep our hands on this, so we have just gotten into it.

Mr. PETERSON. But you have had inquiries that say we want this study done?

Mr. HARMAN. I think these are all requests. Now, the way that at least I like to operate within this area is to look at the Congress,

these committees as our customers. And when we come up here, we come up with an idea of issues that we think might come up within the next 3 or 4 years.

Particularly with the Farm Bill focus, we work with the staff, and we decide on which issues that we think need to be looked at and studied. So that is basically where a lot of our work comes from. It is a joint kind of decision between us and the Members as well as working with staff.

Mr. PETERSON. Thank you gentlemen.

Mr. MYERS. So you do generate some of these studies, such as the opportunities for change. That covers a multitude of sins, doesn't it? That was way back in 1990, but——

Mr. HARMAN. That was the Farm Bill. All that report was—and that was not a requested report—it just pulled together for the Committees all of the work we have done relating to the Farm Bill.

Mr. MYERS. Back to my first question, is there any study that ever shows the comparison of giving disaster payments to farmers versus crop insurance program?

Mr. HARMAN. None that is issued, but the one we are doing right now does.

Mr. MYERS. Isn't that really the bottom line, what we are deciding here?

Mr. HARMAN. You are exactly right. It gets into issues about how much disaster assistance do you want to give. As I said earlier, I don't think it is an either/or question necessarily, because you have different needs out there so you have to decide what needs you can satisfy with disaster assistance and what needs can be satisfied with insurance, or you could decide we are just going to go with disaster assistance.

Now, there are some downsides to that, one of which is equity, another of which is the financing issue.

Mr. MYERS. Would you characterize crop insurance as a better way of handling disaster payments than emergency loans or grants?

Mr. HARMAN. Over the years, we have taken the position that, conceptually, the crop insurance program is a more equitable and efficient way to provide disaster assistance than the emergency loan or disaster payment programs. However, the advantage has been compromised because of the high administrative cost to deliver benefits to the farmer. An amount equal to 31 cents for every $1 in indemnities paid and the high losses indemnities have exceeded government subsidized premiums by $2.6 billion since 1980. In total, the government has underwritten 60 percent of the $11.6 billion in outlays for the crop insurance program from 1981 through 1992; i.e., when considering the producer premium subsidy, payment of FCIC administrative costs, payment of reimbursements to reinsured companies, payment of gains to reinsured companies, payment of commissions to independent agents, and losses when indemnities exceed premiums. I will provide further explanation for the record.

[The information follows:]

Despite these drawbacks in the crop insurance programs, however, disaster assistance and the Farmer's Home Administration (FmHA) emergency loan programs also have major drawbacks. Our report on the disaster assistance payments for 1988

and 1989 concluded that the Agricultural Stabilization and Conservation Service had no assurance of the reliability of the payment rates and expected yields used to compute disaster payments for many nonprogram crops because it did not have needed historical data. Moreover, because payment rates for nonprogram crops were to be based on producer market prices, the established rates compensated producers for harvest costs, regardless of whether such costs were incurred. Also, FmHA emergency loans have experienced high government costs because of the interest subsidies and high default rates.

Our ongoing review of alternatives will focus more fully on the pros and cons of alternatives to multi-peril crop insurance and how one or more of the related programs might be combined (or some other approach developed) to more efficiently and effectively assist producers in dealing with risks associated with crop losses.

Mr. MYERS. We have tried to require farmers to have insurance, they don't get disaster payments, they have to help carry some of their burden, which I kind of support. I know some farmers don't think they can pay it, but I don't see how you can afford not to have insurance.

I pay an awful lot of money out on insurance on the farm, houses, cars and everything. But I can't afford not to have it, either. I would like to save that money. It would be nice to have that money in a savings account someplace.

Mr. HARMAN. It is a business judgment, too, whether the risk you think is enough to justify the cost of the insurance.

Mr. MYERS. I must admit, if I insured myself, I would be way ahead, even with the crop insurance payments I get each year, for everything. But up to now, I have been fortunate and I haven't had severe losses, except health insurance, I guess that is one area where I am somewhat ahead. Nevertheless, it is a real problem.

We see the same problem every year. We have talked about the price, whether you take world markets or not. Okay, one year you are right with world markets, the next year not—I try to outguess every year when I sell my crop.

Mr. HARMAN. I would put those kind of suggestions in the category of tweaking. They might have some big effects, but they are not the basic kind of decisions we need to make.

Mr. SKEEN. Also bearing on the Administration proposal is this new plan, the area risk plan versus an individualized yield. One of them you are talking about a disaster, would it be more effective in another program? And the other one is individual crop producers. Does that have a bearing on your study too?

Mr. HARMAN. Yes, it certainly does, on the alternative study. That is part of it. And there are obviously certain variations you can make with all these different alternatives. You could have a disaster assistance program integrated with the current type of program. You could have a disaster assistance program integrated into an area yield type of program.

But again, I would say let's make sure we are not stepping over a cliff with that next step.

Mr. SKEEN. It is going to take an integrated program. Thank the gentleman.

Mr. MYERS. One of the criticisms that GAO has of FCIC is that the program expended without developing actuarial sound premiums. However, wasn't FCICs' program expansion mandated by law? Has GAO ever studied the issue of who initiated program expansion?

Mr. HARMAN. Yes, FCIC's expanded crop insurance program was one of several goals that Congress established in the Crop Insurance Act of 1980. Our reviews have been directed at evaluating FCIC's implementation of the Act.

In reporting on FCIC's inability to develop an actuarially sound crop insurance program, as early as 1981, we noted that the Act established multiple program goals. We consistently expressed our concern, however, that FCIC viewed the goal of program expansion as a higher priority than the goal of developing an actuarially sound program, rather than viewing both goals as equally important to the ultimate success of the crop insurance program. We reported that FCIC may have compromised the actuarial soundness of its insurance program by expanding the program without addressing long-standing concerns about its actuarial procedures, by neglecting its existing actuarial practices, and by delaying development of needed actuarial reports.

Mr. MYERS. Another criticism you have made is that reinsured companies' risk sharing is too low. Since the 1990 Farm Bill directed Congress to increase the amount of risk born by the private insurance industry, has FCIC adequately complied with the directive?

Mr. HARMAN. We are unaware of any criteria for determining whether the reinsured companies are bearing about the right amount of risk and therefore whether FCIC adequately complied with the requirements of the 1990 Farm Bill. Our review of the 1992 reinsurance agreement showed that, as required by the 1990 Farm Bill, reinsured companies will bear more risk than they did under previous agreements.

The 1992 reinsurance agreement requires companies to retain more risk of loss on the policies they write, reduces the amount of stop-loss protection available which protects an insurance company from financial ruin if catastrophic losses occur, and requires companies to take more financial risks to earn underwriting gains. Assuming a maximum probable loss ratio of 3.50—FCIC's worst annual loss ratio is 2.41, the reinsured companies would bear 10 percent of the losses under the 1992 agreement compared to between 3 and 6 percent under the 1991 agreement. Thus, the amount of risk retained by the companies remains modest compared to the liability assumed by the government. Until the Federal Crop Insurance Program is actuarially sound, however, reinsured companies will have neither the capability nor the incentive to assume significantly greater amounts of risk.

Mr. MYERS. A lot of the criticism concerns the fact that they have been mandated, the FCIC has been mandated by acts of Congress, the Agricultural Act. If you started, as you recommended, making each of these programs actuarially sound, if the insurance corporation did that, we would be the first committee to start criticizing, "You can't do that, you are driving the farmers off the farm, they can't be insured." If they were actuarially sound, you wouldn't need Federal crop insurance.

Mr. HARMAN. That is correct.

Mr. MYERS. So it is a trade-off. I don't know what the answer is. We don't have the answer, but we would be the first to criticize. You might be the first, we would be the second.

Mr. HARMAN. No, no. We have been second. You need to make them actuarially sound. But then again, we are not sitting in your seat, so we get the heat secondarily, but from a very philosophical standpoint it ought to be actuarially sound.

We know that we need to change some of the farm programs, but how do we do it—and that is the question. And that is where we have been—we have been struggling with this issue for at least the last three or four years.

Mr. MYERS. Longer than that.

Mr. HARMAN. Longer than that, but it really started to come to a head in 1988, 1989 with the creation of that commission. The answer is not there yet. And so even if you look at some of our testimonies of several years ago, our position was crop insurance is the way to go because we had certain criteria we measured it against.

It is more equitable because it is based on the individual instead of everybody. But given a look at the history of this program and the nature of the people you are trying to reach, crop insurance by itself is not going to work, it is just not going to work.

Mr. MYERS. The federal government is in the crop insurance business because many of the risks associated with crop insurance are not insurable in the marketplace. In your opinion, is it reasonable to expect FCIC to annually manage a national program to actuarial soundness? Would GAO suggest that FCIC not sell insurance to farmers in areas suffering from prolonged periods of drought or when planting conditions appear unfavorable?

Mr. HARMAN. No, we do not believe that it is reasonable to expect FCIC to annually manage a national program to actuarial soundness. The definition of actuarial soundness for crop insurance is much less stringent than the usual definition for a typical insurance program. The Crop Insurance Act of 1980 definitions is that crop insurance premiums including the government subsidy should be sufficient to pay all indemnities and to establish, as expeditiously as possible, a reserve for unforeseen losses. FCIC's goal is that 10 percent of premium income will be available to establish the required reserve. Thus, reserves were to be accumulated in years of limited perils and were to be available in years of more widespread perils to enable FCIC to consistently offer its insurance without regard to the local perils being experienced.

No, we are not suggesting that FCIC withdraw its insurance from areas suffering prolonged drought or when planting conditions appear unfavorable. Rather, we are suggesting that FCIC develop actuarially sound premiums that will provide a reserve to deal with such perils. Furthermore, to maintain actuarially sound premiums, FCIC must promptly incorporate recent yield and loss experience information into all county crop programs through normal updating procedures so that premiums are developed on the basis of current and complete historical information. During our reviews in this 1980s, FCIC often delayed these updates.

Mr. MYERS. Based on the many GAO reports over the past 12 years, what actions has FCIC taken to correct the deficiencies?

Mr. HARMAN. Although we have made many observations and recommendations to improve the crop insurance program, FCIC's response has been mixed. Our reports have covered a broad range

of FCIC activities including establishing disaster assistance policy, progress and problems in implementing the Crop Insurance Act of 1980, actuarial soundness of the program, percentage reimbursement to reinsured companies, gain and loss sharing formula with reinsured companies, loss adjustments, producer participation, management decision making, audits of FCIC financial statements and internal controls, and allegations of wrong doing. FCIC has generally been responsive to our observations and recommendations directed at improving their operations but slow to act on those directed at compensation to the reinsured companies and achieving actuarial soundness. I will provide more detailed information for the record.

[The information follows:]

FCIC has taken actions to improve its operations. For example, during our review that demonstrated producer payments for indemnities were often excessive, FCIC established a compliance division to systematically review the loss adjustment activities of the reinsured companies. In addition, FCIC acted on our several observations and recommendations to improve their financial statements and internal controls.

Similarly, consistent with our recommendation that FCIC conduct a statistically sound nationwide study to determine the kinds of changes needed to achieve more participation and the cost of such changes to the government and producers, FCIC requested approval for such a study in 1991. However, FCIC advised the study was disapproved at the Under Secretary level. We continue to believe that the study is important to developing marketing strategies in specific areas where they seem likely to be most effective.

Another area we have reported on that FCIC has had limited success in changing is the percentage reimbursement to reinsured companies for selling and adjusting crop insurance policies. For the period 1981 through 1992, reimbursements to reinsured companies totalled $1.6 billion. As early as 1984, our reports raised questions about whether the rate was too high. In negotiating the 1992 reinsurance agreement, FCIC attempted to reduce the rate from 34 percent of premiums (including the government subsidy). FCIC proposed a rate of 32 percent for 1992 on renewal business, which would decline by 1 percent each year until it reached 29 percent in 1995, and an additional 5 percent for new business. However, the reinsured companies rejected this proposal and FCIC agreed to an overall rate of 33 percent. As we stated in our testimony, we have recently asked the Secretary of Agriculture for his thoughts on determining whether, in accordance with Office of management and Budget Circular No. A-76 (Revised), Performance of Commercial Activities, the Agricultural Stabilization and Conservation Service or private reinsured companies are the most cost-effective vehicle for delivering crop insurance.

We have also reported on our concerns about the formula included in the reinsurance agreements to calculate how gains and losses are shared between FCIC and the reinsured companies. For the period 1981 through 1992, reinsured companies received about $170 million in gains. We concluded in the early 1980s that the formula was titled in the companies' favor and in the mid-1980s that the formula further tilted the sharing of gains and losses in the companies' favor. Although reinsured companies will bear more risk under the 1992 agreement than they did under previous agreements, the amount of risk retained remains limited. As we indicated in our testimony, because the government is ultimately going to bear most losses, it may be time to reexamine the whole concept of gain and loss sharing in the crop insurance program to determine whether it is achieving its intended purpose.

Finally, FCIC has not responded to several of our observations and recommendations directed at improving the actuarial soundness of the crop insurance program. For the period 1981 through 1992, indemnities exceeded premiums by $2.6 billion. We continue to believe that achieving actuarial soundness—as defined by the Crop Insurance Act of 1980—is critical to avoiding continuing losses. We further believe that, in order to achieve actuarial soundness, FCIC must establish a premium structure that differentiates between high-risk and low-risk farmers. Although this may raise premiums for high-risk farmers to a level resulting in some choosing not to purchase insurance, it should also lower premiums for low-risk farmers and could attract more of them to purchase insurance.

Mr. MYERS. Well, thank you.

Mr. DURBIN. Thank you, Mr. Myers. I might say the staff has recommended that, before we consider any Federal disaster program changes, that we visit your farm. [Laughter].

Mr. MYERS. Bring your boots.

Mr. DURBIN. On a field trip.

Mr. SKEEN. Mr. Chairman, I think he is a model.

Mr. DURBIN. A model Federal disaster.

Mr. Walsh?

Mr. MYERS. You fly over it all the time. Just look down.

Mr. DURBIN. It looks great from 10,000 feet.

Mr. WALSH. Thank you, Mr. Chairman.

So John, did you counteroffer and buy that 200 acres of bottom land?

Mr. MYERS. No, I knew I was well off. I offered to sell instead of buy.

Mr. WALSH. If you could figure out when it was going to be dry and when it was going to be wet, you could alternate with rice.

Mr. MYERS. Rice just won't grow in Indiana.

Mr. WALSH. You mentioned that you have done 30, 31 studies over the past—well I am not sure how many years—but this study entails about 12 years of history, many of which Congress asked you to do.

Has Congress ever taken your recommendations and put them into law based on any of these studies?

Mr. HARMAN. Probably the only one that comes to mind immediately is the issue of assigning more risk to the private insurers. I have to go back and look and make an assessment of all those. A lot of those were aimed at trying to improve the current program, the efficiency of the current program, the management of the current program, slowing down of the current program. They weren't aimed at this point at making basic fundamental changes.

Mr. WALSH. But through all of these studies, what significant law or changes in the program have come out?

Mr. HARMAN. One of the biggest changes has been the creation of the oversight group to make sure that these companies were adjusting these claims properly.

Mr. WALSH. So basically it authorized more study of the program?

Mr. HARMAN. No, no. That was done. I mean, that was done. We have been legislatively required on several of these studies to, for instance, look at the standard agreements. And those studies, by and large, have come out either questioning the amount of administrative reimbursement the companies get or making a point that we need to make the program actuarially sound.

Mr. WALSH. Let me ask you this, and you might not want to answer it, but do you feel like Congress asks you to respond to problems within the program and then you do your study and then nobody reads it or nobody does anything with it? Do you feel like most of your studies are just that, studies for study sake, and nothing comes out of them.

Mr. HARMAN. Are you talking about these 31 studies?

Mr. WALSH. Yes.

Mr. HARMAN. Yes. That is an honest answer, but then again, I think you have to get back at why does that happen. Maybe we are

not writing them right. Maybe we are not doing the right work, I don't know.

Mr. WALSH. Or maybe it is just that you are giving us hard choices when you finish.

Mr. HARMAN. That is part of it. I know that we have been heavily involved. I will give you an example. We have been heavily involved in the dairy program for a number of years also. I don't know who is here from the dairy states, but—I will take my chances here—our basic position there is we need to get out of the dairy program.

We have said it in a way that says we need to tie the support price to the market which, in essence, says you are going to—now that is a very fine position to take from a marketing standpoint, it is a great position to take. But from a political standpoint, it was a disaster.

About a year or two ago when I was testifying in front of the Dairy Subcommittee of the House Ag Committee, Mr. Roberts hit me with a two by four and said I was crazy, and it hit me that, yes, I am crazy because we are not going to be able to do that. So we have to start looking at what are the solutions. How do we move this? And we have to consider the political implications of all this.

That is some of what we are trying to do here with these alternatives, this alternatives study, it is not that we are going to make the judgment, political judgments, but we are hopefully going to be able to show some of the trade-offs.

We are creating some database information now in Kansas City that will be available to anybody that wants to ask us to use it and try to get on a real-time basis because that is the way it operates up here. You can't wait a year for something to be done.

Mr. WALSH. Let me ask you a question specific to the program. You mentioned there are millions of dollars in overpayments. Could you explain what overpayments are and how that happened?

Mr. HARMAN. What, in essence, we did was we took a team of people, including FCIC adjusters, and readjusted the claims, and we looked at what was paid. We took a look at the claim, and made a decision about whether or not it should have been paid or whether it should have been at a lesser amount and based on that, which we ran through FCIC, there was that amount of overpayment, 31 percent.

Mr. WALSH. Thirty-one percent?

Mr. HARMAN. Yes, and it was on 97 percent of the claims, I believe, 90 to 95, 97, somewhere in there. It was not a good situation.

Mr. WALSH. You also mentioned that in your study there is a chart regarding FCIC loss ratio for crop years 1948 to 1990. Between 1980 and 1990 there are some pretty dramatic increases and decreases in the loss ratio. How do you explain those? There were about eight major swings in there.

Mr. HARMAN. Of course, one of them was in 1988, that was the drought year. Carl, do you have any—there were three drought years in there that probably accounted for some of them. 1983, 1988, 1989, and what is the other one there? There was a big swing up in, it looks like 1981 or so was a big spike. That could be—I haven't looked at that—venture a guess that it very well could be a

tremendous increase in coverage at that point. I don't know. I would have to go back and look at that again.

Mr. WALSH. You have said over and over that the program is not actuarially sound. Back in 1980 they had proposed that we cover 50 percent of the acreage. It never got there. Would that make it actuarially sound, that percent of the acreage?

Mr. HARMAN. We have a cause and effect relationship there. I would doubt—Carl, you can maybe comment on that, too—but I would say probably not.

Mr. WALSH. The closest we got according to the study was about 40 percent of the acreage. That was when we required people who had disaster relief in the previous year to buy it.

Mr. AUBREY. I think FCIC is revisiting those calculations of participation, and recently they went back and looked at them and weren't totally satisfied that those were the right numbers.

Mr. HARMAN. See, to increase participation under this program you would probably have to mandate that people participating in farm programs have to have crop insurance or you would have to do away with disaster assistance.

Mr. WALSH. Well, based on the performance of the program if we were to mandate farmers to participate wouldn't we just lose more and more money?

Mr. HARMAN. That is exactly right. Your participation may go up and your losses may go up also.

Mr. AUBREY. It is possible, though, that your lower risk farmers have stayed out and not participated. That would balance that. I think it also brings up another issue that to try to develop a more actuarially sound program, FCIC needs to be encouraged to base their premiums on the riskiness of farmers so that two people living next door to each other—one who is very good and one who is not so good—don't have to pay the same rate, and I think they have got some techniques that they could at least make some inroads into that, but I think probably they have held off because it is not very popular, but yet——

Mr. WALSH. There is a little politics involved in that, too, I would think.

Mr. AUBREY. It is critical to bringing this closer to one to one.

Mr. MYERS. A legal question, too.

Mr. AUBREY. I am not sure.

Mr. WALSH. You said the FCIC was losing money, obviously billions. The private insurance industry was making money. Doesn't that amount to a subsidy of that industry, a pretty substantial subsidy?

Mr. AUBREY. I don't think they would explain it that way.

Mr. HARMAN. Well, let's think through it. I am probably going out on a limb here, but I will anyhow.

Mr. MYERS. We are all out there, too.

Mr. HARMAN. I don't know if that makes me feel any better if we all go down together, but if you think about—and this comes from personal experience in dealing with the management of the program back in 1985 or so—there was a tremendous desire to increase participation by insurance companies and to increase, as I said, the number of crops that were covered. That was almost the key objective, and we kept hearing that, well, we have got to give

them this kind of deal to be able to get them to participate. If that is a subsidy, if that is a subsidy, then—that could very well, to me, represent a subsidy.

Mr. WALSH. It sure sounds like a subsidy to me. We are going to continue to deal with disasters, I think, and if somebody comes to us with a problem, we are going to deal with it. It is human nature. Congress and everything else aside, human nature is we are going to reach out a hand to try to help those people. If we have a program that doesn't pay for itself, in fact loses millions or even billions of dollars, it competes with a disaster program for precious dollars. Wouldn't it make sense to eliminate that insurance program?

Mr. HARMAN. You have also got to deal with the down sides of disaster assistance. One of the down sides is you can have an individual farmer with a big loss in one year or a number of farmers where it is not significant enough to declare a disaster and they don't get anything. Whereas you could have another farmer that is one State over, and this happened I forget the year, but it happened with a southern drought that occurred who experienced a disaster and received assistance.

Mr. WALSH. It is happening now.

Mr. HARMAN. Yes, it is happening now. That is the down side of disaster assistance. There is an inequity there, so that is why I say that we ought to take a look at the possibilities of integrating these two things to meet the needs of the people we are trying to serve.

Mr. WALSH. Thank you. Mr. Chairman, as we look at subsidies, all agricultural subsidies throughout this hearing process, I think we ought to take a serious look at the crop insurance-private insurance subsidy program that we have established over the past years since 1948. Thank you.

Mr. DURBIN. Thanks, Mr. Walsh. Mr. Pastor, do you have any questions?

Mr. PASTOR. No questions.

Mr. DURBIN. I want to thank the General Accounting Office. Despite the fact that we raised questions about whether you do too many studies, I would say on behalf of this Member that you serve a great purpose. You cause us to reflect on policy questions here rather than just move the numbers around in the appropriation process, and I thank you for your continued vigilance on this program. The size and the amount of money involved in it certainly warrants the kind of work that you have put into it, and I thank you for your testimony.

Mr. HARMAN. I appreciate your comments, Mr. Chairman. I will mention also that we are particularly interested in working with this Committee as you try to struggle with some of these issues. As I said, we are trying to develop a database, so we are available on a quick response basis to help you.

Mr. SKEEN. Mr. Chairman, I want to commend Mr. Harman on some of the most objective research I have seen come out of GAO, it is a good job.

Mr. HARMAN. Thank you.

Mr. DURBIN. Thank you very much.

[The prepared statement follows:]

United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Rural Development, Agriculture and Related Agencies, Committee on Appropriations, House of Representatives

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CROP INSURANCE

Federal Program Has Been Unable to Meet Objectives of 1980 Act

Statement of John W. Harman
Director, Food and Agriculture Issues
Resources, Community, and Economic Development Division

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss the performance of the federal crop insurance program, administered by the U.S. Department of Agriculture's (USDA) Federal Crop Insurance Corporation (FCIC). In 1980 the Congress substantially revised the program to expand the availability of crop insurance; develop actuarially sound premiums; utilize private insurance companies to sell, service, and bear risk on crop insurance policies; and abolish government-funded disaster payments.

Our testimony focuses on the extent to which the program has met the objectives of the 1980 act and is based on extensive work conducted since 1980. Appendix I lists reports and testimonies on FCIC's achievement of 1980 program goals, other problems related to FCIC's financial and management performance, and issues related to disaster assistance. We are also continuing to examine the crop insurance program. A forthcoming report to the Chairman, Senate Committee on Agriculture, Nutrition, and Forestry, addresses additional issues concerning actuarial soundness. A subsequent review for that Committee will analyze agriculture risk-protection options available to the Congress.

In summary, FCIC's performance since the 1980 revision has been mixed. FCIC expanded the program, subsidized farmer premiums, and utilized private insurance companies to sell policies and

administer claims. However, these measures, and actions FCIC has taken to improve the program, have not been sufficient to meet all of the 1980 act's objectives. Specifically:

-- FCIC has rapidly expanded the program. However, this expansion was done without developing actuarially sound premiums. From 1981 to 1990, FCIC increased the number of county crop programs available to farmers by over 250 percent.[1] Because premiums were not actuarially sound, losses exceeded premium income by over $2.3 billion for this period.

-- Since 1980, FCIC has utilized private insurance companies to deliver the majority of crop insurance policies. However, FCIC bore most of the risk on those policies. Consequently, while FCIC had underwriting losses of $2.3 billion over the 1981-90 period, reinsured companies had underwriting gains in 7 of those 10 years, contributing to a net underwriting profit of $101 million.

-- FCIC does not sufficiently control how private insurance companies service crop insurance policies, particularly claims adjustments. For example, we found that a sample of 134 claims from the 1984 and 1985 crop years had an

[1]FCIC offers county crop programs for specific crops in individual counties.

overpayment rate of 31 percent. FCIC has since improved its oversight of claims adjustments, but in 1992 USDA identified overpayment of FCIC claims as a continuing high-risk area.

-- Other forms of agricultural disaster assistance continued to expand during the 1980s. Of the $25 billion in costs that USDA incurred between 1980 and 1990 for crop insurance, emergency loans, and direct payments, only 24 percent, or $6 billion, was spent on crop insurance; $19 billion, or 76 percent, was spent on other assistance.[2]

BACKGROUND

FCIC insures individual crop yields against losses from unavoidable production risks. Participating farmers can elect yield-guarantee coverage of 50, 65, or 75 percent of their 10-year actual production history yield, if these data are available. Participants also select a commodity price level--from 30 to 100 percent of the crop's expected market price. Claim payments are calculated by multiplying the number of bushels that fall below the guaranteed yield level by the selected commodity price level. Premiums depend on the type of crop insured, location of the farm,

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[2]App. II summarizes other findings on FCIC problems that impede program performance.

and historical yield level, as well as the coverage and price levels selected.

The vast majority of crop insurance policies are sold to farmers through private insurance companies that are reinsured by FCIC. These reinsured companies sell and service policies and adjust claims. FCIC establishes premiums, program policies, and reinsurance terms that are governed by a standard reinsurance agreement that is revised annually and compensates reinsured companies for administrative costs associated with selling and servicing crop insurance policies--33 percent in 1992.

FCIC EXPANDED PROGRAM WITHOUT ESTABLISHING ACTUARIALLY SOUND RATES

From 1981 to 1990, FCIC increased the number of county crop programs from 5,969 to 21,354, but largely did not develop appropriate premiums for these new programs before they were in place. Appendix III illustrates the program's expansion. The most dramatic expansion occurred during crop year 1982, when the number of county crop programs ballooned from 5,969 to 14,498--an increase of more than 140 percent. However, program expansion proceeded in the absence of actuarial soundness. To be actuarially sound, FCIC must charge premiums that, over time, are sufficient to cover indemnities. We have reported several times since 1981 that FCIC did not develop premiums that were consistent with the level of risk involved. Without actuarially sound premiums, FCIC

experienced underwriting losses that exceeded premiums by $2.3 billion between 1981 and 1990.

Appendix IV illustrates the effect of program expansion on FCIC's loss ratio--the ratio of premiums collected to indemnities paid. A loss ratio of less than or equal to 1 means that premiums are sufficient to cover losses. Before 1980, when the program offered limited coverage, the loss ratio was often below 1. However, since rapid expansion began in 1981, the ratio has generally increased and has never been below 1, reflecting FCIC's difficulty in setting actuarially sound premiums in an expanded program.

In 1984 we recommended that USDA moderate further program expansion until FCIC's actuarial division could establish actuarially sound rates. In addition, in 1990 FCIC's compliance division made several recommendations regarding program expansion, including establishing appropriate rates. Despite FCIC's actions to improve actuarial soundness, indemnities continue to exceed premiums on a yearly basis.

REINSURED COMPANIES' RISK SHARING IS LOW

Because the crop insurance program continued to lose money, reinsured companies did not have an incentive to bear a substantial portion of risk on the policies they delivered during the 1980s.

The risk-sharing provisions of the standard reinsurance agreement allowed the reinsured companies to transfer most of the risk to FCIC. As early as 1984, when reinsured companies delivered an estimated 50 percent of crop insurance, we recommended that USDA moderate further expansion of the reinsurance program until it could be evaluated to ensure cost effectiveness for both FCIC and the reinsured companies. However, FCIC continued to increase the portion of crop insurance delivered by reinsured companies--approximately 88 percent of the premium value in 1992 (as of October).

Because they had only limited risk sharing, reinsured companies either earned underwriting gains in years when FCIC had underwriting losses or experienced very limited losses. More specifically, FCIC experienced net underwriting losses each year from 1981 to 1990, losing over $2.3 billion above the federal government's premium subsidy and compensation to reinsured companies. Yet the reinsured companies had underwriting gains in 7 of those 10 years, contributing to an overall net underwriting gain of about $101 million. In 1988, the worst drought year, reinsured companies lost about $8 million, while the federal government lost about $616 million. (App. V compares the total program losses and reinsured companies' gains from 1981 to 1990).

In the 1992 standard reinsurance agreement, FCIC increased the amount of risk borne by reinsured companies, but the amount of risk

retained by companies remains limited compared with FCIC's risk. The 1992 agreement requires companies to retain a higher proportion of risk on the policies they write, reduces the level of protection offered through FCIC reinsurance, and requires companies to risk more losses to earn gains. However, we estimated that FCIC would still bear almost 75 percent of the total risk of loss in a worst-case scenario under the 1992 agreement.

In 1992 we reported that companies cannot be expected to assume increasing portions of risk as long as the program is not actuarially sound. Therefore, substantially increasing reinsured companies' risk sharing solely through Standard Reinsurance Agreement revisions is highly unlikely.

FCIC HAS INSUFFICIENT CONTROLS OVER REINSURED COMPANIES' CLAIMS ADJUSTMENT

Because reinsured companies do not bear a substantial amount of risk, they may have less incentive to accurately adjust losses. We have demonstrated that reinsured companies' claims adjustments resulted in millions of dollars in overpayments by FCIC. For instance, as we reported in 1987, we reviewed a sample of 134 claims covering three crops in five states from the 1984 and 1985 crop years and found overpayments of nearly $3 million--an overpayment rate of 31 percent. We believed this sample to be indicative of a nationwide problem and, focusing on claims for crop

loss because of drought on irrigated farms, estimated that overpayments of about $18 million may have occurred between 1984 and 1986 on these claims. We also found problems with claims adjusted by FCIC, but these problems were of a much smaller magnitude.

FCIC established a compliance division in 1986 to, among other things, provide oversight for reinsured company claims adjustments. We subsequently found that, although the compliance division's efforts improved reinsured companies' claims adjustments, it was still a material weakness in the program. In 1992, USDA's Office of Inspector General identified overpayment of FCIC claims as a continuing high-risk area. Targeting 16 claims of at least $90,000 that were adjusted by either reinsured companies or FCIC for crop years 1989 and 1990, the Inspector General found overpayments totaling $1.5 million.

CROP INSURANCE HAS NOT ELIMINATED OTHER FORMS OF DISASTER ASSISTANCE

Despite the 1980 revisions to make crop insurance the preeminent means of providing agricultural disaster assistance, direct disaster payments to farmers and emergency loans expanded throughout the 1980s. Of the $25 billion in costs that USDA incurred between 1980 and 1990 for all three programs, $19 billion, or 76 percent, was for forms of disaster assistance other than crop

insurance. (App. VI illustrates the relative costs for all three programs from 1980 to 1990).

In 1980 the House Committee on Agriculture envisioned that crop insurance participation would reach 50 percent of eligible acres and abolish government-funded disaster payments. However, despite federal subsidies, crop insurance participation has never reached that level. The highest participation rate--40 percent--was achieved only in 1989 and 1990, when participation was mandatory for farmers who had received disaster payments during the previous year to be eligible for future payments. After the requirement was lifted, however, participation immediately fell back to 33 percent. In 1988 we reported that participation varies considerably among states and that a variety of factors can influence participation, including crop diversification, the condition of the farm economy, and insurance agent problems. FCIC is currently reviewing its methods for measuring participation, including what factors influence a farmer's participation decision and how these factors can be accounted for when measuring participation.

While we have cited problems with the crop insurance program over the past 12 years, we have also noted deficiencies with other forms of disaster assistance. In 1989 we found that crop insurance was more equitable and efficient than disaster payments and emergency loans, although none of the programs was ideal. In 1991

we found that USDA's Agricultural Stabilization and Conservation Service lacked assurance that the $1.3 billion in disaster payments it made to producers of nonprogram crops were accurate and free from fraud, waste and abuse.

In summary, Mr. Chairman, the federal crop insurance program has not achieved many of the objectives of the 1980 act. While FCIC has significantly expanded the program, it has done so at a price--underwriting losses of more than $2.3 billion between 1981 to 1990. FCIC has also involved private industry in the operation of the program, but, again, at a price--the industry has assumed very little of the risk: It earned underwriting gains of $101 million, while FCIC lost $2.3 billion. Further, insufficient oversight over reinsured companies has led to claims adjustment practices that have resulted in millions of dollars in overpayments. Finally, a major objective of the legislation--to make crop insurance the preeminent means of providing agricultural disaster assistance--has not been achieved. Other forms of agricultural disaster assistance represented 76 percent of all assistance from 1980 to 1990.

A number of alternatives and variations to the current program have been proposed over the past several years. In the final analysis, any method of agricultural disaster assistance that the Congress chooses will involve tradeoffs between the desire to protect farmers from hardship and the cost of providing this

protection. We are currently evaluating alternative forms of assistance for the Senate Committee on Agriculture, Nutrition, and Forestry.

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Mr. Chairman, this concludes my formal statement. We would be happy to respond to any questions you or other Members of the Subcommittee may have.

RELATED GAO PRODUCTS

Crop Insurance: Program Has Not Fostered Significant Risk Sharing by Insurance Companies (GAO/RCED-92-25, Jan. 13, 1992)

Crop Insurance: Inaccurate FCIC Price Forecasts Increase Program Costs (GAO/PEMD-92-4, Dec. 13, 1991)

Crop Insurance: FCIC's Internal Controls on Safflower Coverage Must Be Improved (GAO/PEMD-91-27, July 15, 1991)

Disaster Assistance: Problems in Administering Payments for Nonprogram Crops (GAO/RCED-91-137, June 28, 1991)

Financial Audit: Federal Crop Insurance Corporation's Financial Statements for 1989 and 1988 (GAO/AFMD-90-107, Sept. 28, 1990)

Analysis of Crop Insurance Proposals H.R. 4360 and H.R. 4592 (GAO/T-RCED-90-76, May 1, 1990)

Financial Audit: Federal Crop Insurance Corporation's Fiscal Year 1988 Financial Statements (GAO/AFMD-90-43, Apr. 18, 1990)

1990 Farm Bill: Opportunities for Change (GAO/RCED-90-142, Apr. 10, 1990)

Crop Insurance: Private Company Loss Adjustment Improving, but Overpayments Still High (GAO/RCED-90-32, Nov. 7, 1989)

Disaster Assistance: Crop Insurance Can Provide Assistance More Effectively Than Other Programs (GAO/RCED-89-211, Sept. 20, 1989)

Roles, Cost, and Criteria for Assessing Agriculture Disaster Assistance Programs Between 1980 and 1988 (GAO/T-RCED-89-63, Sept. 20, 1989)

Crop Insurance: FCIC Should Strengthen Actual Production History Program Controls (GAO/RCED-89-19, Dec. 15, 1988)

Crop Insurance: FCIC Needs to Improve Its Oversight of Reinsured Companies (GAO/RCED-89-10, Oct. 19, 1988)

Crop Insurance: Program Has Merit, but FCIC Should Study Ways to Increase Participation (GAO/RCED-88-211BR, Aug. 15, 1988)

Crop Insurance: Participation in and Costs Associated With the Federal Program (GAO/RCED-88-171BR, July 6, 1988)

Crop Insurance: Conflict-of-Interest Problems Involving an FCIC Official (GAO/RCED-88-24, Dec. 18, 1987)

Crop Insurance: Overpayment of Claims by Private Companies Costs the Government Millions (GAO/RCED-88-7, Nov. 20, 1987)

Crop Insurance: Federal Crop Insurance Corporation Needs to Improve Decision-Making (GAO/RCED-87-77, July 23, 1987)

Financial Audit: Federal Crop Insurance Corporation's Financial Statements for 1986 and 1985 (GAO/AFMD-87-36, June 12, 1987)

Results of GAO's Review of the Department of Agriculture's Federal Crop Insurance Program (GAO/T-RCED-87-18, Apr. 29, 1987)

Preliminary Results of GAO's Review of the Department of Agriculture's Federal Crop Insurance Program (Sept. 23, 1986, Testimony)

Financial Audit: Federal Crop Insurance Corporation's Financial Statements for 1985 and 1984 (GAO/AFMD-86-58, Sept. 19, 1986)

Farm Payments and Loans: Consistency Needed in USDA Crop Yield Estimates (GAO/RCED-86-118, May 29, 1986)

Examination of the Federal Crop Insurance Corporation's Financial Statements For the Year Ended September 30, 1984 (GAO/AFMD-85-54, Sept. 30, 1985)

Information on the Federal Crop Insurance Corporation's 1986 Standard Reinsurance Agreement (GAO/RCED-85-155, July 26, 1985)

The Federal Crop Insurance Corporation's Efforts to Provide Monthly Reports to the Senate Committee on Appropriations (GAO/RCED-84-169, July 13, 1984)

More Attention Needed in Key Areas of the Expanded Crop Insurance Program (GAO/RCED-84-65, Mar. 14, 1984)

Review of the Federal Crop Insurance Corporation's Financial Statements for the Year Ended September 30, 1981 (GAO/AFMD-83-74, July 22, 1983)

The Department of Agriculture's Federal Crop Insurance Corporation (May 26, 1983, Testimony)

Information on the Federal Crop Insurance Corporation's 1983 Standard Reinsurance Agreement (GAO/RCED-83-114, Mar. 9, 1983)

Information on the Federal Crop Insurance Program (GAO/RCED-83-117, Mar. 8, 1983)

Concerns About the Actuarial Soundness of the Federal Crop Insurance Program (Letter dated Aug. 10, 1982)

General Accounting Office Reviews of Department of Agriculture Activities (Apr. 1, 1982, Testimony)

Analysis of Certain Operations of the Federal Crop Insurance Corporation (CED-81-148, July 30, 1981)

Information on Personnel and Travel at the Federal Crop Insurance Corporation (FPCD-81-22, Dec. 23, 1980)

Federal Disaster Assistance: What Should the Policy Be? (PAD-80-39, June 16, 1980)

Additional GAO Findings

In addition to issues previously presented, GAO has reported on other issues related to the Federal Crop Insurance Corporation's (FCIC) financial and management performance. The following highlights some of these major findings.

In 1991 we found that inaccurate FCIC price forecasts for corn, soybeans, and wheat increased losses. Although U.S. Department of Agriculture (USDA) considers World Agricultural Outlook Board (WAOB) price forecasts to be official, FCIC uses its own forecasts. For crop years 1983 to 1989, the program would have cost $194 million less had WAOB forecasts been used in place of the actual forecasts used for establishing price elections for corn, wheat, and soybeans. We therefore recommended that the Manager of FCIC, to the extent possible, use available WAOB crop price forecasts because they have been shown to be more accurate. USDA, in its official comments on our report, agreed with our findings and recommendations pertaining to price forecasts.

In 1991 we reported on a specific example of program expansion into a new area before actuarially sound rates and coverages were established. In 1990, FCIC insured producers of nonirrigated safflowers in three California counties that had experienced four straight years of drought. Losses from these policies in 1990--which FCIC preliminarily estimated to be as much as $14.8 million--were greater than safflower losses in all other states combined since the inception of the safflower program in 1987. We recommended that the Manager of FCIC promptly evaluate FCIC compliance division's recommendations concerning program development and expansion and fully implement those controls that were needed, as well as any other internal controls necessary to

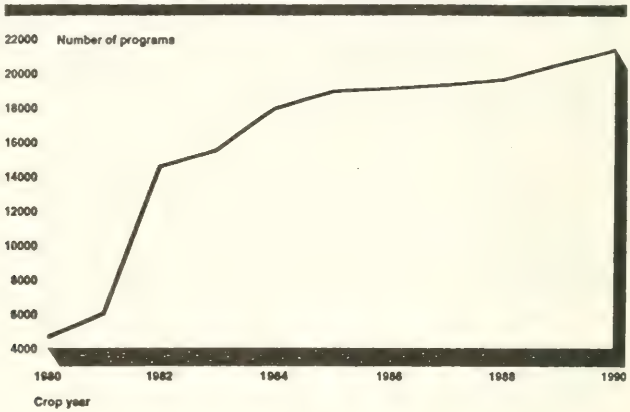
ensure that new and revised county crop programs are implemented in an actuarially sound manner.

We also found that FCIC does not have adequate procedures to determine that production guarantees are accurate. In 1987 FCIC determined that producers' actual production histories, used to establish insurance coverage for individual farmers, were inaccurate as much as 37 percent of the time. We made several recommendations directed at FCIC's obtaining assurance that reinsured companies were making loss adjustments on the basis of reliable APH data. At the end of 1992, FCIC was studying these recommendations but had not taken any actions.

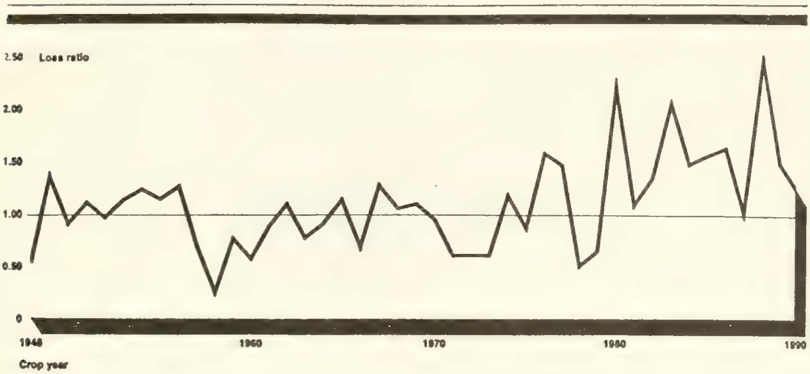
In 1990 we reported that FCIC did not have effective internal controls over the processing and payment of $61 million in reinsured companies' administrative costs. FCIC had not established internal accounting control procedures to ensure that all transactions sent to USDA's National Finance Center in New Orleans were accurately processed and recorded. We also found that the compensation rates may not be accurate. Because compensation rates are computed as a percentage of total premiums sold, large premium increases translate into higher compensation expenses. In 1984, we concluded that, although the costs to sell a policy undoubtedly increased because of both inflation and the increased number of options available to farmers under the expanded program, such costs probably did not increase at the same rate as the premiums. We recommended that FCIC consider adjusting the method of compensation to more accurately reflect actual costs. However, FCIC has continued to compensate reinsured companies on a percentage of total premiums.

APPENDIX III

Expansion of County Crop Programs, 1980-90



FCIC Loss Ratio, Crop Years 1948-90



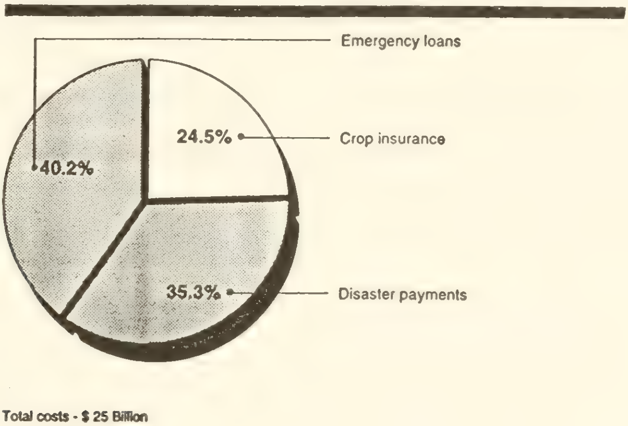
Total Program and Reinsured Companies' Financial Performance, 1981-90

Dollars in Millions

Program year	Total Program Gain or (loss)	Reinsured Companies Gain or (loss)
1981	($28.9)	$0.3
1982	(129.5)	2.6
1983	(296.3)	(2.4)
1984	(207.1)	(0.4)
1985	(242.7)	3.3
1986	(234.5)	8.0
1987	(2.5)	16.7
1988	(616.1)	(8.0)
1989	(395.0)	28.4
1990	(163.8)	52.9
Total	($2,316.4)	$101.4

Note: Excludes funds the government spends for premium subsidies and compensating reinsured companies for administrative expenses.

Cost of Disaster Assistance, 1980-90



Note: Total costs were $25 billion.

(150043)

WEDNESDAY, MARCH 3, 1993.

FEDERAL CROP INSURANCE CORPORATION

WITNESSES

TIM B. WITT, ACTING MANAGER, FEDERAL CROP INSURANCE CORPORATION

KATHLEEN H. CONNELLY, ACTING DEPUTY MANAGER

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

JERRY SKEES, DIRECTOR OF GRADUATE STUDIES, DEPARTMENT OF ECONOMICS, UNIVERSITY OF KENTUCKY

Mr. DURBIN. Now the next panel. I might say, for the members of the Subcommittee, that we will now begin testimony with the Federal Crop Insurance Corporation. I have a meeting at 12:15 of the Subcommittee chairmen which I must attend, and we have held open the possibility of reconvening the Subcommittee tomorrow with the same Agency if we don't complete all our questions.

I would like to invite the representatives of the Federal Crop Insurance Corporation to please come forward. We are joined today by Mr. Tim Witt, Acting Manager of FCIC; Kathleen Connelly, as the Acting Deputy Manager; and we are happy to have a good friend and constant companion, Stephen Dewhurst, Budget Officer with the Department of Agriculture; and Jerry Skees, am I correct in pronunciation, who is with the University of Kentucky.

Mr. Witt, we have your testimony. As I mentioned earlier, when the GAO testified, it will be included in the record in its entirety. If you would like to summarize at this point so we can ask you some questions. You have obviously gotten a warm up listening to us earlier, we have a lot of questions to ask and we would like to move to them as soon as you tell us about the present status of the agency.

Mr. WITT. Okay, thank you, Mr. Chairman. It is a pleasure to be here before the committee. I would state that, contrary to what GAO said about their person being 35, looking 55, I am 35 and not 25, so for the record, I will let that stand.

Mr. SKEEN. Well, you look 25.

Mr. WITT. I realize that.

BACKGROUND OF FCIC

I would like to say the mission of the FCIC is to promote the national welfare by improving the economic stability of agriculture in today's community in today's risk environment of the 1990's. Listening to the testimony from GAO today, I think we need to recognize that they talked from experience and audit results that came from the 1980's. A lot of their data and their numbers were out of the 1980's. My experience with the Crop Insurance Program goes

back to 1976 when I started adjusting losses, actually with my grandfather, and he paid me lunch each day. Then they told me I couldn't work for the government without getting paid. I thought that was a whale of a deal, but in that time I have seen the highs and lows of crop insurance. I will admit that in the 1980's I think the Crop Insurance Program experienced many problems that came from too rapid expansion.

We had numerous changeovers in management, and quite frankly in expanding the crop programs, we probably didn't have the experience databases that we needed to make those changes. We made some decisions that probably weren't the wisest decisions in retrospect. We all look back at our past and can probably find those times.

What we would like to do is separate ourselves from the 1980's and talk about the things that we learned from the 1980's that the improvements in the 1990's crop insurance is all about, and what we believe to be a new and different program in crop insurance for the 1990's. It began with FCIC taking a look at itself and reorganizing to where we began to put more resources into functions that were in research and development, looking at crop expansion, into oversight, compliance activities, into the administration of the program, into our field regional service offices so that they could help us oversee the program better than what we did in the 1980's. This is partly in response to the FACT Act of 1990, and to the recommendations from this committee and the information we have received from this committee over time.

Currently the FCIC program is delivered by the private sector. We have approximately 40 companies of which around 25 are reinsured companies. They sell, service, adjust the crop insurance policies, and they bear risk on those policies. The other side of the coin of the delivery is the sales and service contractors. They deliver the product, they sell and service it, and FCIC adjusts those losses. Our business volume in 1992 was $760 million in premium income, and I would like to correct for the record that we do not believe the loss ratio will be 1.37. That was an estimate made last fall when many of us realized we experienced one of the coolest, wettest summers on record. Crops were maturing late, and we expected to have what could have been a fairly major disaster for this country.

We, fortunately, did receive a good growing season and a late frost, but, unfortunately, we had early snows and early rains that caused the delay of harvest in many parts of the country. We believe our loss ratio as of March 1 was 1.15 nationwide. We believe that with the late season losses, that will probably reach 1.20, possibly as high as 1.25. It still is not the desired 1.0 that we are looking for, but I think it needs to be noted that in the last two years the loss ratios have dropped dramatically. I will speak in a little bit about the things we have done that we believe have driven loss ratios lower in the program.

In the mix in business today, 92 percent of the premium in 1992 was delivered by private reinsured companies bearing risk on that amount of premium. The remaining 8 percent is provided by sales and service contractors on direct delivery. I guess I would like to take the opportunity—I mentioned earlier there are highs and lows

in the program, and I guess one of the highs is being associated with the program today. While that may sound funny to some people, I understand where we were at in the 1980's and experienced some growth and decisions that we didn't necessarily agree to or that we were comfortable with, but we expanded rapidly. Where we have come in the 1990's, and I will focus from here on in the 1990's, the first thing we did for the 1992 reinsurance agreement, which would be effective for this 1992 crop year, was we believe we have significantly increased the risk to private companies. In that risk increase, I think it has to be noted that we fundamentally changed how the private companies and FCIC share in the risk. One of the fundamental changes we made from previous agreements that were in place was that in first dollar loss, first dollar gain, FCIC and the companies share in that process, so there is an equilibrium there that we enter into.

I will give you an example where we believe the 1992 agreement—it was the first one that we have dealt with, and it is this crop year, is that companies in 1988, which was a real disaster year, experienced an $8 million loss. For the 1992 agreement, if that was to occur on that same book of business, our estimates of their losses would balloon to $40 to $50 million. We have steadily increased the risk on the 1993 agreement for which we are currently in that period.

We have offered a 1994 reinsurance agreement that also has increased the risk to companies. If you take the 1994 agreement and place that against what happened in 1988, we estimate that the companies' losses would have been near $51 million. That has to be couched on the basis that the premium volume in 1988 was only $350 million, approximately. Today at that $760 million figure, if a 1988 was to occur today, we estimate the companies could lose as much as $101 million in underwriting losses.

One of the things that we have had to be careful of is the 1990 Fact Act that while it mandated we increase the risk to companies, it also required of us to consider their financial conditions and the availability of outside commercial reinsurance. That is a delicate balance which we must pursue. We work with national brokers here in the United States. We work with brokers overseas to decide what the capacity of the reinsurance market will be for the companies to place their risk.

As you may know, the 1992 year was especially tough on the private insurance market, with hurricanes. It was one of the worst crop hail loss seasons on record also in the United States.

The second thing that we did in 1992, was to reduce the expense reimbursement to companies. It was between 34 and 36 percent. We reduced that to 33. In 1993 we also reduced the expense reimbursement. In 1994 we will continue to reduce expense reimbursement to companies. Unfortunately, we do not have any specific cost estimates of what it takes to deliver the program, but FCIC is currently working with the industry to assess what it takes to deliver the program and to readjust our expense reimbursements where necessary, and we would anticipate continuing a trend that would reduce expense reimbursements in the future.

The third item which was mentioned earlier, was the rate increases. FCIC, per the Fact Act of 1990, required us to increase

rates not to exceed 20 percent. In 1991 and 1992 we did increase to the maximum 20 percent in each of those years. In 1993 there was a decision by management to increase the rates by 10 percent generally across the board because there was the balance between the participation and raising rates too quickly to accumulate our losses, our excess losses at one time. In some situations in county crop programs we have increased rates as much as 50 percent. 1994 rates are soon to go out, and it is our intention that we will increase rates accordingly in those areas that need it again, so we are continuing to attack the problem from a rate issue.

In studies during the 1980's, we found that 6 to 7 percent of the policyholders were representing almost 30 percent of our losses. We developed a nonstandard classification system program that dealt with targeting those people who have high frequency, or high severity of loss, and either charging them rate increases and/or applying reduction in coverages to attack that problem. In 1991 we started with soybeans—I will not look to see if you are on the list, Mr. Myers. In 1992 we expanded that into additional crops. In 1993 we have added more crops, and it is our plan to eventually add all crops to that system.

We have taken measures to expand and increase our oversight, our compliance activities. I guess I would like to say that the figures that GAO presented this morning in the way of overpayments are from the 1980's. They talk about 31 percent. I believe there are subsequent studies that showed with the implementation of a compliance program we lowered those overpayments to 16 percent, and some of our compliance statistics at the moment show our overpayment rates between 5 and 8 percent. While we do not agree that that is acceptable, I think it shows our commitment to attacking the problem of overpayments and that we do not condone overpayments.

Secondly, we are looking at revising our compliance strategy so we will begin to look at higher dollar amounts of claims, a higher percentage of the claim payments, and we are looking at stratifying the sample so that we will begin to do more trend analysis—targeting agents, adjusters or companies that seem to be outside of the norm of what we could expect for an acceptable standard of performance.

We have recently developed and offered to the farmers a 35 percent coverage level, essentially a low cost form of catastrophic protection that is new for the 1993 crop year.

We also, within the next 90 days, plan to be implementing the social security number, employer identification number tracking system, which will for the first time allow us to track individuals who continue to either abuse the program or have excessive losses. We will be able to track their yield history so they will not be able to either switch agents or switch companies and leave their poor history behind, but it will follow them wherever they go. We believe that will be a significant improvement.

We also believe that in the 1980's we were mandated to do two items—provide risk management to farmers but also to replace disaster assistance. Those were two charges that didn't necessarily meet in the middle. To attack that problem we tried to do it with one product, and we believe now that the one product did not nec-

essarily fit all situations. I take the opportunity to say I believe that is what GAO was trying to say—that there are other alternatives that we should look at. One of the alternatives that we have developed for a pilot program for 1993 is what we referred to as a group risk plan. It is being piloted on soybeans in 13 States and in 96 counties. In a little bit I will defer to Mr. Skees to explain that program. We have worked through the extension service and the University of Kentucky in development of that program.

Let me say that the administration's proposals continue to reduce costs in the program and to get there faster. The administration has proposed a reduction in our administrative and operating costs of $105 million. That is primarily for delivery of the product to farmers, and we have also been requested to look at getting our excess losses for the 1994 crop year to reflect a 1.10 loss ratio. Those are two objectives that will allow FCIC to continue to move faster towards actuarial soundness.

At this time, in referring to the group risk plan, I would like Mr. Skees to present to the committee a brief overview of that group risk plan which basically targets or makes the determination of indemnities on a farm basis reflecting the average for the county. At this point I would like to defer to Mr. Skees for some explanation of that program.

[CLERK'S NOTE.—Biographies for the Acting Manager, Assistant Manager for Administration and Director of Graduate Studies, Department of Agricultural Economics, University of Kentucky appear on pages 120 through 122. The Acting Manager's prepared statement appears on pages 123 through 132. The budget notes, received by the Committee on April 28, appear on pages 133 through 177.]

BACKGROUND ON ESTABLISHING YIELDS

Mr. SKEES. Thank you, Tim. I am from the University of Kentucky, a research and teaching professor in agricultural policies, so for the last ten years I have been working on crop insurance issues. One of the things that has motivated me to work on crop insurance issues is because I believe that thinking about future U.S. agricultural policy risk is the one distinguishing feature that separates farming from a lot of other industries. Therefore, strategies that are designed to help farmers manage risk, using their own funds, do fit a number of performance criteria for public policy, so that has been one of my motivations for working in this area.

The frustration that we have experienced in some of the work we have done is the typical type frustration; we have noticed in some areas that growers are not participating. They make the claim that they are not participating because premium rates are too high and our coverage is too low. This is the continual theme that you hear. Whenever we look into the Washington situation, the problems we hear are participation is too low and Federal costs are too high. I would like to give you a little perspective. I don't want to lecture to you, I am a professor, but I do want to give you some concepts here.

There are two problems that people don't want to dwell on with regard to multiple peril crop insurance. When we get to the indi-

vidual level, the behavior of individual farmers becomes very important for the success of a program like this. The point I want to make very strongly here is that farmers know a lot more about their yield potential than the government or an industry representative will ever know, and for that reason they can select whether they want to purchase crop insurance or not. That is called adverse selection.

The other problem that we have been concerned about is something that can be very serious in terms of almost illegal or it can be very subtle. It could be just simply be farming practices after they have purchased insurance. They may be reluctant to go out and spray for pests, you know, for insects, so that is what we call moral hazard. Those two problems that are inherent in the current program are what motivated the research that we have done on the group risk plan. I would like to, for the record, provide the brochure that gives the background on the pilot program in soybeans if we get to those two problems. Those are farm level problems in terms of the way the individual farmer responds to crop insurance.

This idea that I have—that we have worked on, is an old idea. It goes back to the 1940's. Professor Halcrow, who is now at the University of Illinois and retired, still in good health at 82, worked on this in his Ph.D. dissertation. His Ph.D. committee consisted of Milton Friedman, T. W. Schultz, and D. Gale Johnson, three very distinguished economists. All three of them, at that time in 1948, felt that the concept that he laid out made sense. The first time I heard about it, I thought it sounded like a pretty crazy idea because basically what it involves is that you are going to pay based, not on what happens with the individual farm event, but rather you are going to pay based on what happens in the area. But remember, the motivation is that the individual farmer does not have influence over what happens in the area, so an individual farmer has every incentive to continue to produce their crop. They don't have an incentive to lose their crop. So this is part of what motivates this concept. It does have these inherent problems, though, and we need to address those.

I have been working on this particular concept for four years. I was the research director for the Commission for the Crop Insurance Program. That is where the idea surfaced and brought me into the literature; I have been working on it for four years. In working through the problem, we decided that the best place to pilot this would be with soybeans for a couple of reasons. First of all, soybeans represented $500 million of excess losses through the 1980's, and that was about 25 percent of all of the excess losses.

Secondly, soybeans are an ideal crop to do this because every acre in a county that is planted for soybeans is planted to be harvested. One of the problems with trying to expand this program beyond the pilot at this point is that we do have some problems with the database that NASS, the National Agricultural Statistical Service, has in place. We have three problems with that database.

First of all, we have the problem that in areas where there aren't very many planted acres, it would be very hard to develop the actuarial data to rate this product. Secondly, we have the problem in areas where people plant the crop for purposes other than

harvest, where they are flexible, in other words, where they could turn it into a forage crop or grazing. That creates a problem.

Thirdly, there are counties across the United States that are of different size, and that becomes more problematic as we think about the way the NASS data is organized; data is organized by county. So we were motivated to try to design a pilot to learn whether or not this was a feasible idea. The pilot, I would remind you, is in its initial stages. It is being sold now. We are getting some good reports, some mixed reports, some bad reports about how well it is working in terms of acceptability to farmers, but at this point it is too early to really know how much of it has been sold.

The pilot is designed as an experiment so that we can, in fact, learn something about whether or not this concept is workable. In the areas that we have designed it, the 96 counties, had we had this program in place through the 1980's, we would have lost about $10 million in excess losses. The current program lost about $170 million in just these 96 counties in excess losses; so there are some attractive features.

In terms of the incentives to be interested in it from a budget perspective, on all three counts it should be able to reduce budget exposure. First of all, it should be less costly to administer, and therefore, administrative reimbursement should be less costly. Secondly, in terms of being able to actuarially rate this, if you have the confidence in the data for the county you should be able to rate this in a fashion so that you would not have excess losses. Remember, too, that individual producers cannot adversely select on this, and they don't have the moral hazard problem. Therefore, over time you wouldn't expect these losses to be bid back into the premium rates like we have with the current program. And the third item of cost: we have administrative costs, excess losses, and the premium subsidy.

There is every reason to believe that we could subsidize this at a lower level and still get some participation. In the work we have done with this product, we did examine 3,000 case farms of soybean growers through the 1980's, and we found that about 63 percent of those growers would have had more risk protection with the 90 percent policy in this product than they would have with 75 percent MPCI product. Now, I want to get to the problems with this product.

First, I want to describe to you exactly how it works. The way it works is it does base the losses solely on what happens in the county at this point, in the county yield. So if you think about a county that has a 30-bushel soybean yield, a grower can buy a 90 percent policy, meaning that anytime that the yield in the county drops below 27 bushels, every grower with that policy will get a payment. The way we have designed it is that they can buy a protection level, and that payment, that loss, will be determined on a percentage basis. That percent will be multiplied by the level of protection that they purchased, so if the county yield were to go to 20 bushels, that represents a 26 percent shortfall from the 27-bushel offer that he has purchased, and you multiply that times the level of protection that they purchased, and that is how many dollars of payment the farmer gets. So in that particular design,

the research we did with the 3,000 case farms did demonstrate that over the 1980's relative risk would have been lower for 63 percent of those growers.

Now, there are two problems with this product that are very, very serious problems. First of all, individual growers can clearly have losses when the county does not have a loss, and we are all concerned about that. A couple of solutions to that particular problem: one of those is we hope that the private sector will come in behind this and offer supplemental products to take care of those individual losses. One of the things you have done with a policy like this is you have provided protection against widespread catastrophic losses. One of the reasons, the public policy reason that the government needs to be involved with multiple peril crop insurance in the first place, is because of those kind of widespread losses and no insurance company, even the Lloyd's of London, don't have deep enough pockets to deal with that kind of widespread losses. So you have done some of that with this product.

If the private companies could come in behind it and offer individual policies to take care of those individual events around, mix it with this product, then you would take care of that particular problem. Another way of dealing with that is, over time, there is nothing magic about the county boundary. Begin to consider rezoning so that you have farmers in zones that have yields that are more similar so that you don't have these kinds of isolated events as often.

The other serious problem with this product is the perception that you are going to pay someone when they don't have a loss because it is possible with this product that an individual grower would have a good yield when the county, in fact, had a loss. What I want to remind you here is they bought a contract based on the index of what the county yield is. They paid a premium based on that, and in fact it is equitable to pay them whenever that event triggers. The other thing I think is important to recognize is that a lot of market mechanisms work in that fashion.

At this time in some ways what has happened in terms of the President's budget is probably the worst thing that could have happened to an experiment. As a researcher, I am concerned about the integrity of the experiment that we are running out there because of all this notoriety on this particular concept. It would have been very nice if we could have been a little ahead of the game and had some results. We won't have any information in terms of participation until the summer on this product.

We do have in place evaluation so we will know what type of growers have purchased this product, because one of the things that we believe is that the lower risk growers are going to be attracted to this product. We believe that for two reasons. First of all, it is lower priced, and secondly, a lot of the lower risk growers are spread around the county, and one of the conditions to make this work effectively as a risk management instrument is that their farm yield has to be highly related to the county yield. Those growers that are spread around the county, that have a lot of acreage around the county, know that their yield is highly related. In working individually one on one with farmers through the Southeast, I have picked up on this very quickly. These growers are interested

in this product for that reason, because it can provide low cost catastrophic protection and they also recognize that their yields are related. So that is basically where we are on the pilot.

I will be happy to answer detailed questions on it if you have some questions. I guess my basic bottom line is that we are very interested in helping out as much as we can in helping FCIC design more pilots for more crops if that seems to be the appropriate course of action at this time in order to learn more about whether or not this concept, again, that is over 45 years old is, in fact, workable. It has worked in some other regions around the world.

Mr. DURBIN. Thank you, Mr. Skees and Mr. Witt, if we could go off the record for a minute.

[Off the record.]

REINSURED COMPANIES SHARING RISK

Mr. DURBIN. Going back on the record. Mr. Witt, I understand that you have the dubious distinction of being given directions by the collective wisdom of the United States Congress on this program, and we have guessed wrong in years gone by in terms of the future of the program, the scope of it, and, in fact, its function. It is clear from our experience since 1980 that there were some fundamental miscalculations in designing this program from the 1980 Farm Bill forward. I do not hold you accountable for that. Frankly, it was our best guess as to what would happen. Many times we were wrong, and yet there were clearly some management decisions by the agency, in terms of implementing this program, which I think do bear our consideration today.

REINSURANCE COMPANY RISK

I am troubled by your frequent reference to the fact that the reinsurance companies bear risks on the policy. You said that over and over again. As I read the record, the risks which they are bearing are extraordinarily limited. Only in the worst year of the decade, 1988 when the Federal taxpayers were losing $616 million, did the reinsurance companies actually suffer a loss. In fact, in many other years when the taxpayers were paying substantial amounts of money into this program, and you would conclude by basic business standards that it was a failure, the reinsurance companies were making tens of millions of dollars in so-called profits on a program that was suffering dramatic losses.

Tell me, I know you have made reference to the changes in the 1992 reinsurance agreement, but tell me what you perceive to be the risk of a reinsurance company now. They are going to get the expense reimbursement on the front end of it, 32 to 34 percent, and in almost every year they are going to reap some profit out of a program regardless of whether or not it is actuarially sound or not. That is the way I read it. What is your interpretation?

Mr. WITT. I can understand based on the past history how one would draw those conclusions. I think first you have to look at what our goal is on administrative expenses. We are looking to get that to a point where it is break even. No one makes money in administrative expenses. The money that we pay goes to properly service farmers and to give them the kind of service that they

need. The risk comes when companies get into this business to make profits, and that should be the only place the profits are up, the only place that it has ever been intended for any profits to be is on the risk-bearing side.

In 1991 and previous agreements, the risk sharing arrangements were just not what they should have been, and they were probably—they were definitely—slanted towards the advantage of the companies. I believe that we entered risk sharing arrangements in 1981 and 1982 into what we all talk about now as reinsurance. That is a complex environment that maybe the agency nor some others fully understood what it was getting into in the 1980's, so we had some growing pains. As we enter 1992 and go on, companies truly are at risk now for the premiums that they write. We believe that at minimum, companies can be on 40 percent of the premium that they write and many of them today, to make profits, and I think one of the things I left out was the gains that companies see in increasing risk to companies. We also reduced the ability of companies to make gains. Therefore you will not see, unless you have very good crop years, you will not see the kinds of profits and underwriting gains that they experienced in previous years.

Mr. DURBIN. Mr. Witt, you have stated that FCIC has continually increased the risk to the private insurance sector in each year's reinsurance agreement since the passage of the Farm Act. For the record, would you provide us the actual language in each standard reinsurance agreement for each year that shows exactly how increased risk was passed on to the private sector?

Mr. WITT. The 1992 Standard Reinsurance Agreement, Section II.C.2., addresses FCIC's Responsibility for Ultimate Net Losses. I will provide the details of the actual language for the record.

[The information follows:]

The non-proportional reinsurance provided hereunder applies to the Company's retained book of business in each individual Fund and state after proportional cessions under Section II., Part B. For each Fund and state, FCIC will pay a portion of the Company's retained ultimate net losses as described below:

a. FCIC will pay the following percentages of the amount by which the Company's retained ultimate net losses in each individual state and Fund exceed one hundred percent (100%) but are less than or equal to one hundred forty percent (140%) of the Company retained net book premium in that state and Fund for the reinsurance year.

	Percent
Commercial Fund	70.0
Developmental Fund	85.0
Assigned Risk Fund	95.0

b. In addition to the amount determined under paragraph II.C.2.a., FCIC will pay the following percentages of the amount by which the Company's retained ultimate net losses in each individual state and Fund exceed one hundred forty percent (140%) but are less than or equal to three hundred percent (300%) of the Company's retained net book premium in that state and Fund for the reinsurance year.

	Percent
Commercial Fund	85.0
Developmental Fund	92.5
Assigned Risk Fund	97.5

c. In addition to the amount determined under paragraph II.C.2.a. and b., FCIC will pay the following percentages of the amount by which the Company's retained ultimate net losses in each individual state and Fund exceed three hundred percent (300%) but are less than or equal to five hundred percent (500%) of the Company's retained net book premium in that state and Fund for the reinsurance year.

	Percent
Commercial Fund	90.0
Developmental Fund	95.0
Assigned Risk Fund	98.5

d. In addition to the amount determined under paragraph II.C.2.a., b. and c., FCIC will pay one hundred percent (100%) of the amount by which the Company's retained ultimate net losses in each individual state and Fund exceed five hundred percent (500%) of the Company's retained net book premium in that state and Fund for the reinsurance year.

The 1993 Standard Reinsurance Agreement, Section II.C.1., addresses FCIC's Responsibility for Ultimate Net Losses and states: The non-proportional reinsurance provided hereunder applies to the Company's retained book of business in each individual Fund and state after proportional cessions under section II., Part B. For each Fund and state, FCIC will pay a portion of the Company's retained ultimate net losses as described below:

a. FCIC will pay the following percentages of the amount by which the Company's retained ultimate net losses in each individual state and Fund exceed one hundred percent (100%) but are less than or equal to one hundred sixty percent (160%) of the Company's retained net book premium in that state and Fund for the reinsurance year.

	Percent
Commercial Fund	70.0
Developmental Fund	86.0
Assigned Risk Fund	95.0

b. In addition to the amount determined under paragraph II.C.1.a., FCIC will pay the following percentages of the amount by which the Company's retained ultimate net losses in each individual state and Fund exceed one hundred sixty percent (160%) but are less than or equal to two hundred twenty percent (220%) of the Company's retained net book premium in that state and Fund for the reinsurance year.

	Percent
Commercial Fund	80.0
Developmental Fund	91.0
Assigned Risk Fund	97.0

c. In addition to the amount determined under paragraph II.C.1.a. and b., FCIC will pay the following percentages of the amount by which the Company's retained ultimate net losses in each individual state and Fund exceed two hundred twenty percent (220%) but are less than or equal to five hundred percent (500%) of the Company's retained net book premium in that state and Fund for the reinsurance year.

	Percent
Commercial Fund	85.0
Developmental Fund	94.0
Assigned Risk Fund	98.0

d. In addition to the amount determined under paragraph II.C.1.a., b. and c., FCIC will pay one hundred percent (100%) of the amount by which the Company's retained ultimate net losses in each individual state and Fund exceed five hundred percent (500%) of the Company's retained net book premium in that state and Fund for the reinsurance year.

The 1994 Standard Reinsurance Agreement, Section II.C.1., addresses the Company's Responsibilities for Ultimate Net Losses and states:

The non-proportional reinsurance provided hereunder applies to the Company's retained book of business in each individual Fund and state after proportional cessions under Section II.B. For each Fund and state, the Company will retain ultimate net losses as follows:

a. The Company will pay the following percentages of the amount by which its retained ultimate net losses in each individual state and Fund exceed one hundred percent (100%) but are less than or equal to one hundred sixty percent (160%) of the Company retained net book premium in that state and Fund for the reinsurance year.

	Percent
Commercial Fund	30.0
Developmental Fund	14.0
Assigned Risk Fund	5.0

b. In addition to the amount determined under Section II.C.1.a., the Company will pay the following percentages of the amount by which its retained ultimate net losses in each individual state and Fund exceed one hundred sixty percent (160%) but are less than or equal to two hundred twenty percent (220%) of the Company's retained net book premium in that state and Fund for the reinsurance year.

	Percent
Commercial Fund	25.0
Developmental Fund	9.0
Assigned Risk Fund	3.0

c. In addition to the amounts determined under Sections II.C.1.a. and b., The Company will pay the following percentages of its retained ultimate net losses in each individual state and Fund exceed two hundred twenty percent (220%) but are less than or equal to five hundred percent (500%) of its retained net book premium in that state and Fund for the reinsurance year.

	Percent
Commercial Fund	15.0
Developmental Fund	6.5
Assigned Risk Fund	2.0

d. FCIC will assume ultimate net losses in excess of the Company's retained ultimate net losses as determined under Sections II.C.1.a., b. and c.. FCIC will pay one hundred percent (100%) of the amount by which the Company's retained ultimate net losses in each individual state and Fund exceed five hundred percent (500%) of its retained net book premium in that state and Fund for the reinsurance year.

Mr. DURBIN. Mr. Witt, you indicate that if the new reinsurance agreement for 1992 had been in effect during 1987 through 1991, the total underwriting gains retained by the participating insurance companies would have been reduced by nearly $50,000,000. On the surface, that sounds good but still leaves approximately $107,000,000 in gains versus how many hundreds of millions in losses by the Federal Government. Was it your opinion that this was a fair sharing of gains/losses?

Mr. WITT. No, improvements for a fairer distribution of gains and losses can be made between the Government and the private sector. As we move towards underwriting and actuarial soundness in both our crop insurance and reinsurance programs, we will continue to modify the reinsurance agreements to achieve a better distribution of gains and losses. To do this, FCIC must have an adequate spread of risk and loss frequencies for certain crop programs.

Crop program expansion was undertaken in the 1980's without adequate underwriting and actuarial analyses. FCIC created three funds in the 1992 SRA to separate crop insurance programs with inherent risk problems from those with little or no risk. This will help identify high risk business on which additional underwriting and actuarial analysis is needed. As these crop programs improve and become more actuarially sound, companies will be expected to take greater risk.

REINSURED COMPANIES GAINS AND LOSSES

Mr. DURBIN. Well, I am troubled by the analogy which you use in your testimony because you refer to 1988, which was an unusual year when the insurance companies actually suffered a loss under this program. You calculate that using the 1992 reinsurance standard, that you have said is going to bring about this terrific reform, in that period of time that you made reference to, 1987 to 1991, the reinsurance companies would have experienced a profit of some

$120 million under the new formula, while the Federal taxpayers were still experiencing a loss under this program of $1 billion.

It is just inconceivable to me that you can declare a profit at a time when we have to pump in a billion dollars in subsidy to keep the program afloat.

Mr. WITT. I guess I don't believe that there is that kind of profit in that time span that you referred to under the 1992 agreement and subsequent. That money, the $100 million that was paid in underwriting gains, was under old agreements. The new agreements do not have that kind of potential in them.

Mr. DURBIN. Well, I am referring to your testimony. It says if the new reinsurance agreements had been in effect 1987 to 1991, FCIC estimates that total underwriting gains retained by the participating insurance companies would have been reduced by nearly $50 million, which still leaves a net profit to the companies during that period of $120 million while the Federal Treasury was losing $1 billion. This is your own testimony.

Mr. WITT. Right, that time frame and the testimony does measure against the 1992 agreement, but I don't believe it includes the 1991 year. Does it say 1987 through 1991?

Mr. DURBIN. Yes, it does.

Mr. WITT. Our statement is intended to demonstrate that significant action has been taken to reverse the trends of the 1980's. More work is needed before the job is finished. The situation you describe occurs because the determinations of gains and losses are made thereby generating gains for the reinsured companies who operate in that state. On the other hand, another state with an overall loss, a company might earn gains because it placed higher risk business in the assigned risk or developmental funds. Losses in these funds may be offset companies may have losses on their business, but the industry in the aggregate may have profits.

One way to avoid the situation that you described is to write the reinsurance agreement so that settlement is made at the national level. All premiums and losses for a company would be summed to the national totals. If there is an overall loss the company participates. However, this approach would encourage companies to concentrate their sales of crop insurance in the crops and areas of the country where the historical risk factor is lowest.

Mr. DURBIN. Am I missing the boat here? How can you declare a profit when this program is not actuarially sound when, in fact, the Federal taxpayers have to step in? This is not a profitable company or a profitable agency. It is losing money dramatically, and you are declaring a profit for the private insurance companies.

What am I missing here?

Mr. WITT. Okay, I think one of the things is that it is caught between, the program, between what we are supposed to be to two different parties. Gains we are paying under the 1992 agreement are for those portions of the program that truly experience underwriting profits or experience loss ratios less than 1.0. There is a considerable amount of the business, the book of business that is generally profitable year in and year out. Those gains are being paid on that portion of the book. Unfortunately, there is a segment of the book that when it loses money, it loses a lot of money, and in the aggregate the losses do mount heavily. Companies are not will-

ing to go in there until we do our job as an agency and continue to increase rates for those policies or rewrite the terms of the policies so we take out risks that aren't there.

Mr. DURBIN. So the companies are willing to write profitable policies and take a profit, but they are not willing to take a risk on something that won't be profitable?

Mr. WITT. The companies are not going to go in and voluntarily lose money, but they do write the program nationally, as evidenced by the 92 percent of business.

Mr. DURBIN. We see, as an example you picked year 1988 as the year in which to show a comparison between the losses absorbed for that year and how the 1992 reinsurance agreement, had it been in effect then, would have worked. Since that, in fact, is the only year since 1985 in which the companies shared in any of the losses, please take the other six years and show us exactly what the profit-loss scheme would have been with the 1992 contract in place for each of those years.

Mr. WITT. I would be pleased to provide you with the information.

[The information follows:]

FEDERAL CROP INSURANCE CORPORATION

REINSURED COMPANY
UNDERWRITING GAIN/LOSS
ACTUAL VS PROJECTED USING 1992 AGREEMENT
FOR CROP YEARS 1982 – 1991

(FIGURES IN THOUSANDS)

CROP YEAR	ACTUAL GAIN/LOSS	PER 92 AGREEMENT GAIN/LOSS	DIFFERENCE
1982	2,558	8,097	5,539
1983	(2,393)	(5,890)	(3,497)
1984	(419)	103	522
1985	3,350	18,952	15,602
1986	7,992	9,832	1,840
1987	16,704	37,224	20,520
1988	(8,044)	(40,686)	(32,642)
1989	28,378	18,054	(10,324)
1990	52,190	65,820	13,630
1991	42,061	19,485	(22,576)
TOTAL	142,377	130,991	(11,386)

NOTE: 1981 and 1992 crop data not available.

(Source: 1982–1991 Reinsured Company Financial Performance Report)

Mr. DURBIN. For the record, please provide a table displaying how profits and losses were distributed between FCIC and reinsurance companies for the past ten years.

Mr. WITT. I would be pleased to provide you with the information.

[The information follows:]

DISTRIBUTION OF PROFITS AND LOSSES
AS OF SEPTEMBER 30, 1992
FROM REINSURED OPERATIONS

CROP YEAR	GROSS GAIN/(LOSS)	GAIN/(LOSS) RETAINED	GAIN/LOSS CEDED TO FCIC
1981	$3,458,717	$287,763	$3,170,954
1982	8,313,379	2,557,520	5,755,859
1983	(75,717,604)	(2,392,977)	(73,324,627)
1984	(121,392,051)	(419,102)	(120,972,949)
1985	(157,612,694)	3,349,903	(160,962,597)
1986	(191,812,328)	7,991,511	(199,803,839)
1987	3,335,752	16,703,630	(13,367,878)
1988	(532,744,189)	(8,043,809)	(524,700,380)
1989	(341,399,369)	28,377,790	(369,777,159)
1990	(125,609,569)	52,189,835	(177,799,404)
1991	(196,634,705)	42,060,795	(238,695,500)
1992	(196,000,000)	27,769,858	(233,247,718)
TOTAL	(1,923,814,661)	$170,432,717	(2,103,725,238)

**The underwriting gain/loss amount for the crop year represents the estimated amount reported on the 1992 fiscal year financial statement.

(SOURCE: 1981 - 1985 Reinsured Company Financial Performance Report)
(SOURCE: 1986 - 1991 Reinsured Company Subsidiary Ledgers)
(SOURCE: 1992 Reinsured Company Subsidiary Ledger and crop year estimates for the 1992 FY).

Mr. DURBIN. For the record, please provide a table that shows the ratio of losses for FCIC and reinsured companies to the units insured and the average losses for each year since 1981.

Mr. WITT. I would be pleased to provide you with this information.

[The information follows:]

FEDERAL CROP INSURANCE CORPORATION
1981 - 1992 FCIC/REINSURANCE COMBINED EXPERIENCE
UNIT SUMMARY BY CROP YEAR
(As of March 1993)

CROP YEAR	UNITS INSURED	UNITS EARNING PREMIUM	UNITS INDEMNIFIED	% UNITS INSURED INDEMNIFIED	% UNITS W/PREMIUM INDEMNIFIED	INDEMNITY PAYABLE	AVERAGE INDEMNITY PER UNIT INSURED	AVERAGE INDEMNITY PER UNIT W/PREMIUM	AVERAGE INDEMNITY PER UNIT INDEMNIFIED
81	952,225	874,472	139,203	14.6	15.9	407,232,173	428	466	2,925
82	951,674	852,969	138,974	14.6	16.3	529,075,008	556	620	3,807
83	773,801	643,544	186,618	24.1	29.0	583,743,866	754	907	3,128
84	961,247	839,596	195,452	20.3	23.3	638,268,847	664	760	3,266
85	988,972	875,703	165,954	16.8	19.0	683,032,638	691	780	4,116
86	1,014,017	855,113	167,105	16.5	19.5	615,165,170	607	719	3,681
87	1,075,758	903,495	134,408	12.5	14.9	369,712,326	344	409	2,751
88	1,166,553	1,029,131	429,731	36.8	41.8	1,067,733,513	915	1,038	2,485
89	2,097,344	1,854,297	461,072	22.0	24.9	1,215,575,003	580	656	2,636
90	2,203,427	1,883,173	296,282	13.4	15.7	971,749,559	441	516	3,280
91	1,882,047	1,579,508	338,224	18.0	21.4	946,364,602	503	599	2,798
92	1,914,837	1,549,885	233,906	12.2	15.1	885,498,341	462	571	3,786
TOTAL	15,981,902	13,740,886	2,886,929	18.1	21.0	8,913,151,046	558	649	3,087

CALCULATIONS FOR PERCENTAGES AND AVERAGES:
% UNITS INSURED INDEMNIFIED = UNITS INDEMNIFIED/UNITS INSURED
% UNITS WITH PREMIUM INDEMNIFIED = UNITS INDEMNIFIED/UNITS WITH PREMIUM
AVERAGE INDEMNITY PER UNIT INSURED = INDEMNITY/UNITS INSURED
AVERAGE INDEMNITY PER UNIT WITH PREMIUM = INDEMNITY/UNITS WITH PREMIUM
AVERAGE INDEMNITY PER UNIT INDEMNIFIED = INDEMNITY/UNITS INDEMNIFIED

FEDERAL CROP INSURANCE CORPORATION
1981 - 1992 FCIC EXPERIENCE
UNIT SUMMARY BY CROP YEAR
(As of March 1993)

CROP YEAR	UNITS INSURED	UNITS EARNING PREMIUM	UNITS INDEMNIFIED	% UNITS INSURED INDEMNIFIED	% UNITS W/PREMIUM INDEMNIFIED	INDEMNITY PAYABLE	AVERAGE INDEMNITY PER UNIT INSURED	AVERAGE INDEMNITY PER UNIT W/PREMIUM	AVERAGE INDEMNITY PER UNIT INDEMNIFIED
81	927,368	849,827	135,799	14.6	16.0	397,936,422	429	468	2,930
82	761,356	674,568	116,606	15.3	17.3	459,892,869	604	682	3,944
83	526,696	428,985	133,856	25.4	31.2	405,947,075	771	946	3,033
84	461,034	381,886	84,669	18.4	22.2	257,971,442	560	676	3,047
85	345,933	273,375	57,832	16.7	21.2	209,900,460	607	768	3,629
86	258,036	200,335	38,595	15.0	19.3	119,909,134	465	599	3,107
87	221,769	177,242	29,486	13.3	16.6	67,747,865	305	382	2,298
88	198,084	164,326	75,732	38.2	46.1	161,894,365	817	985	2,138
89	249,734	204,757	59,861	24.0	29.2	153,441,660	614	749	2,563
90	252,001	204,741	44,678	17.7	21.8	162,828,029	646	795	3,644
91	207,852	169,270	39,242	18.9	23.2	101,370,334	488	599	2,583
92	167,075	139,221	23,393	14.0	16.8	74,304,532	445	534	3,176
TOTAL FCIC	4,576,938	3,868,533	839,749	18.3	21.7	2,573,144,187	562	665	3,064

CALCULATIONS FOR PERCENTAGES AND AVERAGES:
% UNITS INSURED INDEMNIFIED = UNITS INDEMNIFIED/UNITS INSURED
% UNITS WITH PREMIUM INDEMNIFIED = UNITS INDEMNIFIED/UNITS WITH PREMIUM
AVERAGE INDEMNITY PER UNIT INSURED = INDEMNITY/UNITS INSURED
AVERAGE INDEMNITY PER UNIT WITH PREMIUM = INDEMNITY/UNITS WITH PREMIUM
AVERAGE INDEMNITY PER UNIT INDEMNIFIED = INDEMNITY/UNITS INDEMNIFIED

FEDERAL CROP INSURANCE CORPORATION
1981 - 1992 REINSURANCE EXPERIENCE
UNIT SUMMARY BY CROP YEAR
(As of March 1993)

CROP YEAR	UNITS INSURED	UNITS EARNING PREMIUM	UNITS INDEMNIFIED	% UNITS INSURED INDEMNIFIED	% UNITS W/PREMIUM INDEMNIFIED	INDEMNITY PAYABLE	AVERAGE INDEMNITY PER UNIT INSURED	AVERAGE INDEMNITY PER UNIT W/PREMIUM	AVERAGE INDEMNITY PER UNIT INDEMNIFIED
81	24,857	24,645	3,404	13.7	13.8	9,295,751	374	377	2,731
82	190,318	178,401	22,368	11.8	12.5	69,182,139	364	388	3,093
83	247,105	214,559	52,762	21.4	24.6	177,796,791	720	829	3,370
84	500,213	457,710	110,783	22.1	24.2	380,297,405	760	831	3,433
85	643,039	602,328	108,122	16.8	18.0	473,132,178	736	786	4,376
86	755,981	654,778	128,510	17.0	19.6	495,256,036	655	756	3,854
87	853,989	726,253	104,922	12.3	14.4	301,964,461	354	416	2,878
88	968,469	864,805	353,999	36.6	40.9	905,839,148	935	1,047	2,559
89	1,847,610	1,649,540	401,211	21.7	24.3	1,062,133,343	575	644	2,647
90	1,951,426	1,678,432	251,604	12.9	15.0	808,921,530	415	482	3,215
91	1,674,195	1,410,238	298,982	17.9	21.2	844,994,268	505	599	2,826
92	1,747,762	1,410,664	210,513	12.0	14.9	811,193,809	464	575	3,853
TOTAL REINSURANCE	11,404,964	9,872,353	2,047,180	17.9	20.7	6,340,006,859	556	642	3,097

CALCULATIONS FOR PERCENTAGES AND AVERAGES:
% UNITS INSURED INDEMNIFIED = UNITS INDEMNIFIED/UNITS INSURED
% UNITS WITH PREMIUM INDEMNIFIED = UNITS INDEMNIFIED/UNITS WITH PREMIUM
AVERAGE INDEMNITY PER UNIT INSURED = INDEMNITY/UNITS INSURED
AVERAGE INDEMNITY PER UNIT WITH PREMIUM = INDEMNITY/UNITS WITH PREMIUM
AVERAGE INDEMNITY PER UNIT INDEMNIFIED = INDEMNITY/UNITS INDEMNIFIED

FCIC/REINSURANCE EXPERIENCE

Mr. DURBIN. Earlier today, the GAO testified there have been excessive losses, poor oversight over reinsurance companies, and excessive payments to reinsurance companies. You have indicated that you think the 1992 standard reinsurance agreement (SRA) better addresses some of these problems. While the loss ratio for fiscal year 1992 appears to be better than it has been in the past years, can you provide us the statistics in terms of indemnities paid for 1992, amount of insurance-in-force, the number of acres insured, and total indemnities paid out for 1992? For the record please provide that information in a table that also compares it with the past five years.

Mr. WITT. I would be pleased to provide you with the information.

[The information follows:]

FEDERAL CROP INSURANCE CORPORATION FCIC/REINSURANCE COMBINED EXPERIENCE 1988–1992 US SUMMARY BY YEAR

[As of March 1993]

Year	Pol earn prem	Pol indem	Units earn prem	Gross acres	Net acres	Liability	Premium	Subsidy	Indemnity	LR	EPR	LCR
1988	460,985	222,221	1,029,131	73,855,687	55,586,080	6,961,536,267	436,464,466	108,002,609	1,067,733,513	2.45	.06	.15
1989	949,716	280,035	1,854,297	139,968,564	101,715,903	13,617,360,857	819,483,843	206,309,767	1,215,575,003	1.48	.06	.09
1990	893,266	185,297	1,883,173	143,853,952	101,307,144	12,757,505,148	833,037,312	214,432,386	971,749,559	1.17	.07	.08
1991	705,731	202,876	1,579,508	116,871,764	82,347,093	11,188,335,958	735,254,656	189,656,934	946,364,602	1.29	.07	.08
1992	663,423	135,981	1,549,885	118,542,312	83,137,589	11,304,416,552	760,739,840	197,229,246	885,498,341	1.16	.07	.08
Total	3,673,121	1,026,410	7,895,994	593,092,279	424,093,809	55,829,154,782	3,584,980,117	915,630,942	5,086,921,018	1.42	.06	.09

Note—LR—Loss Ratio (indemnities divided by premium. EPR—Earned Premium Rate (premium divided by liability. LCR—(indemnity divided by liability.—Net acres is a result of insured shares being applied to gross acres.

Mr. DURBIN. For the record, please provide us with a list of currently active reinsurance company agreements, and indicate which ones had gains and losses under the gain/loss provisions during the reinsurance year for 1992.

Mr. WITT. I would be pleased to provide you with the information.

[The information follows:]

NET GAIN(LOSS) FOR REINSURANCE COMPANIES
1992 REINSURANCE YEAR
AS OF MARCH 4, 1993

COMPANY NAME	GAIN(LOSS) AFTER STOP LOSS PREMIUM
AMERICAN HAIL MANAGEMENT	$62,620
ALLIANCE INSURANCE CO. (GR. NEVILLE)	(3,029)
BLAKELY CROP HAIL INC.	47,332
COLUMBIA MUTUAL INSURANCE CO.	1,381,041
CROP HAIL MANAGEMENT	1,614,881
CONTINENTAL INSURANCE COMPANIES	589,199
COTTON STATES MUTUAL INS. CO.	181,651
DORNBERGER & COMPANY	925,837
DAWSON HAIL INSURANCE COMPANY	3,075,906
NAU INSURANCE COMPANY	2,184,508
AMERICAN AGRICULTURAL INS. CO.	3,200,666
GREAT AMERICAN INS. CO.	1,428,817
GRINNEL MUTUAL REINSURANCE CO.	740,000
HARTFORD INSURANCE GROUP	847,941
HOME FARMERS MUTUAL INS. ASSOC.	992,137
IGF INSURANCE COMPANY, INC.	939,280
NORTH CENTRAL CROP HAIL SVC. INC.	1,070,048
PRODUCERS LLOYDS INS. CO.	(1,715,926)
AGRISERVE	76,001
AETNA INSURANCE CO. (RAIN & HAIL)	9,408,431
REDLAND INSURANCE CO.	1,541,293
INS. CO. OF THE PRAIRIE STATES (STROUD)	(1,720,514)
SUB-TOTAL	26,868,120
CROP HAIL MANAGEMENT (Hawaii)	139,992
PUERTO RICO	761,816
SUB-TOTAL	901,808
TOTAL	27,769,928

SOURCES:

1992 Crop Hail Management (Hawaii) Report Dated 8/11/92
Puerto Rico Report Dated 12/18/92

1992
FEDERAL CROP INSURANCE CORPORATION
REINSURANCE COMPANIES

AG Hail Insurance Company
2882 106th Street
1454 30th Street, Suite #108
West Des Moines, Iowa 50265
Tax ID. #42-1280183

American Agricultural Ins. Co.
225 Touhy Avenue
Park Ridge, Illinois 60068
Tax ID. #36-2661954

American Hail Insurance Co.
P.O. Box 2574
Ormond Beach, Florida 32175
Tax ID. #41-1375004

Columbia Insurance Group
P.O. Box 618
Columbia, Missouri 65205
Tax ID. #43-0790393

Cotton States Mutual Ins. Co.
244 Perimeter Center Pkwy., N.E.
Atlanta, Georgia 30346
Tax ID. #58-0830930

Dawson Hail Insurance Co.
P.O. Box 1820
Fargo, North Dakota 58107
Tax ID. #45-0282873

Alliance Mutual Insurance Co.
P.O. Box 18847
Greensboro, North Carolina 27419
Tax ID. #56-1126939

Grinnel Mutual Reinsurance Co.
Highway 146 & I-80
Grinnel, Iowa 50112
Tax ID. #42-0245990

IGF Insurance Company
2882 106th Street
Des Moines, Iowa 55303
Tax ID. #42-1006765

Alliance Insurance Co.
1122 North Main Street
McPherson, Kansas 67460
Tax ID. #48-0665124

Providence Washington Insurance Co.
P.O. Box 518
Providence, Rhode Island 02901
Tax ID. #05-0204450

Redland Insurance Company
535 West Broadway
Council Bluffs, Iowa 51503
Tax ID. #42-1113749

Farmers Alliance Insurance Co.
122 North Main
McPherson, Kansas 66601
Tax ID. #48-0214040

Continental Insurance Company
7400 College Blvd., Suite 401
Overland Park, Kansas 66210
Tax ID. #13-5010440

Crop Hail Management
P.O. Box 5118
Sioux Falls, South Dakota 57117
Tax ID. #41-0430825

Great West Casualty Company
P.O. Drawer D
Sioux Falls, South Dakota 57101
Tax ID. #47-6024508

Great American Insurance Co.
P.O. Box 994
Shawnee Mission, Kansas 66201
Tax ID. #31-1126939

Hartford Insurance Group
P.O. Box 3993
Omaha, Nebraska 68103
Tax ID. #06-383750

National Ag Underwriters, Inc.
3501 Thurston Avenue
Anoka, Minnesota 55303
Tax ID. #41-1591900

Home Farmers Mutual Ins. Association
9401 James Ave. South, Suite #165
Bloomington, Minnesota 55431
Tax ID. #41-0318300

Cigna Property & Casualty Ins. Co.
1601 Chestnut Street
Philadelphia, Pa. 19101
Tax ID. #06-0237820

Producers Lloyds Insurance Co.
P.O. Box 229
Amarillo. Texas 79105
Tax ID. #75-1494452

Farm Bureau Mutual Insurance Co.
5400 University Ave.
West Des Moines, Iowa 50266
Tax ID. #42-0331872

Insurance Company of the Prairie States
P.O. Drawer D
Ruidoso, New Mexico 88345
Tax ID. #74-1556924

Puerto Rico Agricultural Ins. Corp.
P.O. Box 9200
Santurce, Puerto Rico 00908
Tax ID. #66-0458139

REINSURANCE EXPENSE REIMBURSEMENT

Mr. DURBIN. I am sorry, I don't follow how this is reasonable, that you can invite the insurance companies in for the profit and tell them that they are not going to be exposed to any risk. It is a win-win situation for them. I just don't follow that. We don't need to dwell on it any further unless there is something more you want to say on that part, but tell me how you arrived at the 33 percent expense reimbursement?

Mr. WITT. Well, in my involvement in the process of arriving at 33 percent, we looked at the expenses that had accumulated during the 1980's. We began to look at places where we thought that the reductions could be made, and actually we worked from the figure coming from the top down. It had ballooned to 34 to 36 percent when you include all the expenses they were at, and we began to reduce the expenses and establish a trend that we could follow through that process. I have no data that establishes 33 is right or wrong.

The only thing I can do is compare expenses similar to what property and casualty and crop hail businesses provide, and they have given data that indicates that that is not far off.

Mr. DURBIN. Where did it start in 1980? Do you recall what the expense reimbursement was then, what percentage?

Mr. WITT. I can provide that for the record. I don't know what the exact percent was in 1980.

[The information follows:]

EXPENSE REIMBURSEMENT
1981-1994

1994	32.25% 3% 2%	Expense Reimbursement Excess Loss Adjustment - .01% of net book premium for each full point of loss ratio in excess of 125% Premium Tax Reimb.
1993	32.5% 2% 2%	Expense Reimbursement. Excess Loss Adjustment - .01% of net book premium for each full point in excess of 125% up to 325% not to exceed 2% Premium Tax Reimb.
1992	33% 1% 2%	Expense Reimbursement. Excess Loss Adjustment - 0.1% of net book premium for each full point in excess of 150% up to 250% cost ratio not to exceed 1% Premium Tax Reimb.
1991	34% 1% 2%	Expense Claims Reimbursement. 125% loss ratio at two-hundredths of 1% (.02) of net book premium for each point of loss ratio above 125% up to a limit of 175% Premium Tax.
1990	34% 1% 2%	Expense Reimbursement. Excessive Claims Exp. Reimbursement. Premium Tax Reimb.
1989	34% 1% 2%	Expense Reimbursement. Excessive Claims Expense Reimb. Premium Tax Reimb.
1988	34% 1% 2%	Expense Reimbursement. Excessive Claims Exp. Reimb. Premium Tax Reimb.
1987	30% 2% 3%	Expense Reimbursement. Premium Tax Reimb. Special Exp. Reimb. - Based on Premium.
1986	30% 2% 4%	Expense Reimbursement Premium Tax Reimb. (Approx.) APH/GYC Special Reimb.

1985- (Two Options)	A. 26% 3% 5% B. 28% 3%	Expense Reimbursement Loss Adjus. Expense Allowance on total losses. Exp. Reimb. - Special Allowance on Premium for new policies written during the year. Expense Reimbursement Loss Adjustment Exp. Allowance on total losses on a sliding scale - Zero - 100.00 = 3% 100.01 - 200.00 = 2 1/2% 300.01 - 400.00 = 1 1/2% Above - 400.00 = Zero
1984	26% 3% 5%	Expense Reimbursement Loss Adjustment - same as 1985 A. New Policy Allowance - same as 1985 A.
1983	26% 3% 5%	Expense Reimbursement Loss Adjustment - same as 1985 A. New Policy Allowance
1982	26% 3% 5%	Expense Reimbursement Loss Adjustment - same as 1985 A. New Policy Allowance - same as 1985 A.
1981	26% 3% 5%	Expense Reimbursement Loss Adjustment - same as 1985 A. New Policy Allowance.

Mr. DURBIN. We know that you reduced the rate of reimbursement to reinsurance companies from 34 to 33 for this year. Have you been able to convert that to some actual savings that you can show us?

Mr. WITT. The total premium earned by reinsured companies in 1992 was $694.2 million. Reducing the rate of reimbursement by 1.0 percentage point resulted in a reduction in reimbursement to the reinsured companies of $6.9 million.

Mr. DURBIN. You state in your opening remarks that FCIC is currently working with the private insurance industry to review reimbursement issues under its agreements and contracts. Part of the effort will determine the approximate cost of required activities to effectively deliver the crop insurance product. Just a couple of years ago, the Federal Crop Insurance Corporation contracted with one of the major accounting firms to look at this issue. Wasn't their report rather inconclusive that there was any correct way to determine the costs now when they were unable to do that previously?

Mr. WITT. As you stated, FCIC commissioned Arthur Andersen & Company to conduct a review of reimbursement rates for the multiple peril crop insurance program. The Andersen report did not identify the most effective system of reimbursement. It reported the accounts and functions to which reimbursements were applied by the companies. It did not determine the cost of performing these functions. I will provide additional information for the record.

[The information follows:]

In 1992, an administrative task force which included industry representatives addressed the administrative expense reimbursement concerns. The task force identified major expense areas as well as their components. The information is being used by FCIC to review administrative expenses. Numerous other resources, including the National Association of Insurance Commissioners' (NAIC) accounting practices and procedures, A.M. Best's accounting procedures and expense categories, the American Institute for Property and Liability Underwriters expense reporting formats, and Property-Liability Insurance Accounting principles as presented by the College of Insurance, are being used by FCIC for this review.

The initial stages of this review are nearly complete. One result is a comprehensive expense reporting format which will enable further analysis. The reporting format is intended to determine a company's allocations of its reimbursements to specific functions; require that each dollar be allocated to a specific function; achieve consistency in reporting by the different companies; identify sources of costs which FCIC will not reimburse (e.g., lobbying expenses); and permit comparisons among companies.

This information will permit improved analysis of reimbursable costs for delivering crop insurance and will permit FCIC to establish reimbursement rates that are adequate but not excessive.

Mr. DURBIN. You are suggesting that you are using some industry standard to arrive at this expense reimbursement level?

Mr. WITT. We are using several different sources of information, whether it be data from the crop hail industry on what it costs them to provide the product, and yet a crop hail product is severely different from a multiperil product because we require more requirements in oversight and administering an individual yield program. We have tried to make some adjustments accordingly, but we do not have any specific data that says what the exact numbers should be. That is something we are currently studying and hope

that for the 1995 agreement we offer, that we would be able to have a number that is supported by some data.

Mr. DURBIN. I know what we are talking about is fairly unique, I will concede that point, but when we are talking about spending $250 million a year, which was referenced for year 1991 for this expense reimbursement to private insurance companies, it strikes me that a slight variation in percentage will have a dramatic impact on the amount of payout from your agency. I am just wondering, have we really done a good job in establishing a fair reimbursement for the expenses involved for private insurance companies or are we relying entirely on their data because of the uniqueness of this situation?

Mr. WITT. I believe that you can question how good a job we did in the past. I believe as we move forward, we are doing a better job. When you look at the $250 million, yes. When you move it one point that becomes a significant amount. In 1994 and on we are looking where we have pulled $12 million to $14 million in expense reimbursement yearly from the companies, and we are looking to continue reducing expenses wherever possible. Another side of that coin is if we have asked the companies to do things that no longer are needed, then we need to remove those requirements and remove that money from the expense reimbursement as well.

TOBACCO ERROR RATE

Mr. DURBIN. Your statement touches somewhat on oversight responsibilities for loss adjustment by your Compliance Division. I have a table that shows the amount of errors per claim is relatively stable for most crops, but that when it comes to tobacco, it shows as a significantly increased error rate. Can you explain?

Mr. WITT. The table reflects experience to date for the 1992 crop year. Year to year experience can vary among crops based on environmental and operational issues. For 1992, the errors for tobacco were the result of a weakness in one company's method of gathering production information. The company utilized a production certification form which ASCS completed and sent back to the company. The company requested ASCS to certify the amount of tobacco that was sold on the MQ–76, Marketing Card. The company did not request the amount of tobacco which was destroyed or not sold, listed on the MQ–1801–1, Report of Unmarketed Tobacco. The Company has corrected the Production Certification Form to include any production shown on the MQ–108–1.

The initial findings for 1992 are not a true indicator of the normal error rate associated with tobacco claim reviews. That error was skewed because of this one company's review. The error rate on tobacco claim reviews historically runs between 4 and 5 percent.

Mr. DURBIN. So when it gets down to this error rate or overpayment percentage, you testified that we are now down to 16 percent. Tell me how that compares by private insurance industry standards. Is that common, 16 percent overpayment?

Mr. WITT. I referenced that, the GAO study said 31 percent. I think there is a subsequent study, either by them or OIG. We get audited frequently and I get the two confused. But we believe that

it is between—probably closer to 5 to 8 percent range. What is the industry standard? I do not know the industry standard, but I know that in the property and casualty business they experience similar kinds of problems that we do. Obviously, I don't believe it is to the magnitude of 31 percent.

Mr. DURBIN. The thing that troubles me here is we made a decision in the early 1980's to bring in private insurance companies. I guess the idea was to bring in the professionals, don't create a massive government agency, let them show you how they can run this in the era when we were getting government off our backs. Now they have done very well, very well. This has been very profitable for them by most standards when you consider what the taxpayers have lost in this insurance venture during the years.

Now, if they are adjusting these losses and we are dealing with 5 percent, 8 percent, 16 percent, is it not fair to hold these same insurance companies to the standard of the insurance industry as to what is an acceptable overpayment percentage?

Mr. WITT. Yes, it is very fair, I believe, to do that.

Mr. DURBIN. Why don't you know what that percentage is?

Mr. WITT. I do not have an answer for you on that one.

Mr. DURBIN. I would like to have one.

Mr. WITT. All right, we will search it out and provide an answer for the record.

[The information follows:]

Based on information obtained from the National Insurance Crime Bureau, it is estimated that property-casualty insurance fraud costs at least $18 billion annually. Ten percent of all property-casualty insurance claims are estimated to be either completely fraudulent or highly inflated (overpaids).

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

Mr. DURBIN. Just last week, Mr. Witt, we received a copy of a letter addressed to Secretary Espy from John Harman, Director of Food and Agricultural Issues, of the General Accounting Office. In that letter, he suggested that the Department use the methodology of an A–76 review to determine whether ASCS can provide the services of sales and service for crop insurance cheaper than the current structure does. Do you know if the Secretary intends to follow through with this recommendation by GAO, and if so, what is the time frame for doing so?

Mr. WITT. I am unaware of the Secretary's intended action on this issue.

NONSTANDARD CLASSIFICATION

Mr. DURBIN. We had hopes that the nonstandard classification system would have a big impact on reducing the losses in the crop insurance program. Can you provide us some details as to what your experience has been on a crop-by-crop basis? Can you tell us whether you have seen any significant changes because of the nonstandard classification?

Mr. WITT. Over 22,000 individual crop policies covering 11 crops were considered for placement on the NCS for the 1993 crop year. The policies represented 1.5 percent of all contracts, $152.5 million in premiums and $704.4 million in indemnities. I will provide a

table that summarizes, by crop, characteristics of the selected policies.

[The information follows:]

NCS INSURANCE EXPERIENCE 1983 TO 1991

Crop	Initial year	Contracts	Percent selected contracts	Premiums selected contracts	Indemnities selected contracts	Total percent indemnities collected by selected contracts
Barley	1992	1,347	1.6	7,130	37,076	14.2
Corn	1992	5,192	1.3	22,436	114,533	8.8
Cotton	1992	1,524	2.6	19,972	59,258	11.4
Gr. Sorghum	1992	1,973	2.3	8,567	43,428	17.5
Seed corn	1993	47	.3	664	4,008	4.5
Oats	1993	1,082	1.3	1,309	5,821	10.3
Peanuts	1992	469	2.2	8,061	49,315	10.3
Rice	1993	127	1.8	744	10,558	15.5
Soybean	1991	4,897	1.4	52,894	231,446	8.1
Tobacco	1993	339	.4	1,052	8,439	3.9
Wheat	1992	5,554	1.9	29,713	140,543	9.3
Total		22,551	1.5	152,542	704,425	11.4

Note.—The above data cover crop programs for which NCS was implemented for the 1991, 1992, and 1993 crop years.

Data for a comprehensive assessment of the impact of NCS are not available. Only one crop year (1991) is complete. With the 1992 crop year coming to a close, FCIC anticipates that the impact for that year within the next few weeks.

Tracking of NCS policies from year to year has been difficult. FCIC is initiating additional methods to track policies under NCS through the use of Social Security Numbers and Employer Identification Numbers as authorized by the Food, Agriculture, Conservation, and Trade Act of 1990. More reliable estimates of the impact of the NCS program are anticipated through the use of enhanced tracking techniques and accumulated years of NCS experience.

ACTUARIAL SOUNDNESS PLAN

Mr. DURBIN. Last year, Mr. Cason talked of a 5-year plan to become actuarially sound. Please tell us where FCIC is in terms of compliance with that plan. Are you still on target?

Mr. WITT. We estimate that the loss ratio of the 1992 crop will be about 1.25, which represents improvement over recent years. However, we cannot assure you that continuation of current program operations would achieve a 1.0 ratio within the next five years.

Mr. DURBIN. Considering we had bumper crops in many areas, is the fact that FCIC had a better year have more to do with the weather than the SRA?

Mr. WITT. Aggregate yield data does not provide an accurate assessment of the impact of growing conditions on the performance of the FCIC. For example, U.S. corn yields in 1992 increased 20 percent over 1991 and the overall loss ratio for corn was 0.54. However, Nebraska, with over 13 percent of insured corn acreage, had a loss ratio of 1.30. The state accounted for 28 percent of corn indemnities and about 3.7 percent of all indemnities paid for 1992 crops. These losses were caused by a late freeze in May 1992. The acreage which froze could not be replanted because it was too late. U.S. upland cotton yields in 1992 increased approximately 7 percent. Yet the loss ratio for cotton was 2.86. Cotton indemnities amounted to 33 percent of total indemnities for all crops. In Texas, which had approximately 78 percent of the insured cotton acreage, only 64 percent of the planted acreage was harvested because excessive rains early in the growing season damaged the cotton to the extent that growers accepted appraisals of potential production and de-

stroyed the remaining crop rather than incur the costs of caring for the reduced yields.

It would be difficult to quantify the exact contribution of the reinsurance agreement and that of higher yields of crops in some areas. FCIC has demonstrated that the gains paid to the industry in 1992 are less than the amount which would have been paid under the 1991 agreement.

Mr. DURBIN. Mr. Witt, the second sentence of your testimony says, "Stabilizing rural communities through an actuarially sound system of crop insurance has been an important public policy of the United States for over half a century." In testimony, we just received from the General Accounting Office they showed a chart where from the '40's through 1980, it basically was an actuarially sound system or it broke even. But since then, during the past 12 years, it has lost billions of dollars and has never come close to being actuarially sound. We find your statement to be inconsistent with what has happened since the early '80's. Would you give us some specifics, other than the 1992 SRA, where FCIC tried to comply with that policy through the '80's?

Mr. WITT. The Federal Crop Insurance Corporation took several actions in the 1980's to return the program to actuarial soundness. The actual production history program was intended to increase producer participation, thereby achieving actuarial soundness. Three other major initiatives addressed actuarial issues. One targeted adverse selection and moral hazard by establishing field compliance offices to investigate sales, underwriting, and loss adjustment practices of all sales and servicing organizations. Annual rate reviews were begun and rate and coverage changes implemented as indicated by a crop's experience in a crop in a county. The nonstandard classification program represented a third initiative. This program identifies those insureds with abnormal loss histories and individually adjusts rates and coverages to reflect the higher risk they represent. All these actions were initiated in the late 1980's although full implementation of the latter two did not occur until the 1990's.

Actions regarding specific crops were taken when necessary. For example, soybeans in certain states accounted for over $500 million in excess losses. Evaluation of insurance experience indicated that the yields of insured persons in these states were much lower than yields reported by the National by the Agricultural Statistics Service. Consequently, FCIC reduced transitional yield offers in 13 states by up to 50 percent for the 1987 and later crop years. Excess losses continued at high levels until 1990 because growers negotiated a phase-in period. Some of these states have experienced loss ratios under 100 percent in recent years; however, in an effort to provide a fair and equitable product to soybean farmers on an actuarially sound basis, FCIC has begun a pilot area yield plan as a possible solution to the soybean excess loss problem.

PARTICIPATION

Mr. DURBIN. Participation in crop insurance seems to have hit its peak in 1990 and was declining. Do your program statistics bear out that again in 1992, participation dropped again?

Mr. WITT. It is true that crop insurance participation hit its peak in 1990 with 101,307,144 net acres insured and premium of $833.0 million; however, participation increased between 1991 and 1992. As of February 26, 1993, net acres insured in Crop Year 1992 were $83,355,000; up from 82,406,000 in 1991. Premium also increased from $737.4 million in 1991 to $761.5 million in 1992. While these increases may seem nominal, it is also significant to note that unlike recent years, 1992 crop insurance had no disaster assistance linkage.

ADP PURCHASES

Mr. DURBIN. The last couple of years Mr. Cason testified that one of the important needs of the Federal Crop Insurance Corporation was an undated computer ADP program. We are aware that Secretary Espy, and Secretary Madigan before him, put a moratorium on computer purchases by the farm service agencies like ASCS, SCS and Farmers Home, while the Department sorted out reorganization. It is my understanding that you were given a waiver for computer purchases. We are also aware that you recently purchased several millions of dollars worth of equipment through an Air Force contract. Do you believe it would be prudent on your part to use those additional computers to tide yourself over until a decision has been made on Department reorganization before you continue with what was to be a $25,000,000 purchase?

Mr. WITT. Inadequate information systems continue to be a serious impediment to accomplishing FCIC's goals. Despite many unresolved automation problems, the pending comprehensive office automation procurement has been cancelled consistent with a GAO recommendation.

FCIC can satisfy its short-term needs for information technology through existing government contracts and limited scope procurements. Needed equipment includes general-purpose hardware and software that will effectively support agency operations, but which does not constitute an irrevocable investment in light of proposed USDA organizational changes. Department procurement and information resources officials have agreed that this equipment can be utilized in the Info Share environment being planned for the Farm Service Agency.

UNOBLIGATED BALANCES

Mr. DURBIN. For the record, please provide a table showing the amounts of unobligated balances that lapsed for each of the past 6 years, ending with fiscal year 1992, for your administrative and operating expenses account.

Mr. WITT. I would be please to provide you with the information.

[The information follows:]

Federal Crop Insurance Corporation—Administrative and Operating Expenses Unobligated Balances Lapsing

Fiscal year:	*Amount*
1987	$39,673,984
1988	1,678,405
1989	0
1990	0
1991	60,290,239
1992	202,653

The amounts reflected for Fiscal Year 1991 and 1992 are unobligated balances that are available for a period of five years for further adjustments in obligations. Any unobligated balance remaining after this time is then returned to Treasury. Prior to 1991, any unobligated balances remaining lapsed were returned to Treasury at the close of the fiscal year.

MASTER MARKETER AGREEMENTS

Mr. DURBIN. For the record, please provide a list of the current active Master Marketer agreements.

Mr. WITT. I would be pleased to provide you with this information.

[The information follows:]

1993 FEDERAL CROP INSURANCE CORPORATION AGENCY SALES AND SERVICE CONTRACTORS

National Ag Underwriters, Inc.
Northern Crop Insurance Inc.
Northern Crop Protection, Inc.
IGF Insurance Company
Crop Hail Management
Crop Insurance Agency
Southwest Crop Insurance Agency, Inc.
Longview Crop Insurance Agency, Inc.
United Agents Crop Ins. Agency
Professional Advisors Inc.
Key Marketing Associates, Inc.
Sedgwick James of Florida, Inc.
Federal Crop Company
Shelby Crop Insurance Corporation
Farmers All Risk Crop Ins. Agency, Inc.

FCIC FUND REIMBURSEMENT FOR COMMISSIONS

Mr. DURBIN. How much of the FCIC fund was used during fiscal year 1992 to reimburse agent's commissions and loss adjustments expenses for prior years?

Mr. WITT. During FY 1992, the FCIC fund reimbursed $10,433,121 for agents' commissions and loss adjustments for prior years.

ACTUARIAL SOUNDNESS

Mr. DURBIN. As we discussed, Mr. Witt, the area of actuarial soundness for FCIC has been poorly lacking for many years. Please provide us with a table showing the funds that FCIC spent in actuarial development for each of the past 10 years.

Mr. WITT. I would be pleased to provide you with the information.

[The information follows:]

Expenditures for Actuarial and Underwriting Activities Fiscal Years 1986–1991

Fiscal year:	*Total actuarial and underwriting expenditures*
1986	$18,317,000
1987	16,422,000

1988	10,638,000
1989	12,095,000
1990	14,934,000
1991	14,739,000
1992	15,255,000

Note: FCIC does not isolate expenditures for an actuarial development activity. The expenditures in the above table support both continuing and development programs. Continuing programs include annual analyses of insurance experience for adjusting premium rates to reflect that experience. Annual reviews of policy terms and conditions and procedures also are considered continuing expenditures to improve program performance. Transfers to ASCS for expenses associated with the Actual Production History program are included for 1986. The total cost includes field underwriting expenses incurred in the Regional Services Offices (Field Underwriting Offices before FY 1992).

MARKETING EXPENDITURES

Mr. DURBIN. Toward the end of your statement, you say that you provided several new brochures and documents at local county offices to assist with marketing crop insurance. Please provide a ten-year table showing the marketing expenditures for the Federal Crop Insurance Corporation.

Mr. WITT. I would be pleased to provide you with the information.

[The information follows:]

Marketing Expenditures for Federal Crop Insurance Corporation

Fiscal year:	*Expenditures*
1983	$4,050,000
1984	1,583,509
1985	495,595
1986	749,181
1987	847,382
1988	961,268
1989	1,005,481
1990	1,005,481
1992	1,024,528
1991	200,000

ADMINISTRATIVE AND OPERATING EXPENSES

Mr. DURBIN. For the record, please provide a table showing, from 1981 through fiscal year 1992, the reimbursements to reinsured companies and the total FCIC operating and administrative costs.

Mr. WITT. I would be pleased to provide you with the information.

[The information follows:]

FEDERAL CROP INSURANCE CORPORATION ADMINISTRATIVE AND OPERATING COST

[In thousands of dollars]

	Administrative expenses	Reinsured companies reimbursement	Total administrative costs
Fiscal year:			
1981	85,633	6,318	91,151
1982	129,843	9,463	139,306
1983	95,703	35,603	131,306
1984	98,717	78,887	177,064
1985	96,720	102,888	199,608

FEDERAL CROP INSURANCE CORPORATION ADMINISTRATIVE AND OPERATING COST—Continued

[In thousands of dollars]

	Administrative expenses	Reinsured companies reimbursement	Total administrative costs
1986	95,792	97,711	193,503
1987	72,746	97,148	169,894
1988	76,777	121,545	198,322
1989	90,102	257,520	347,622
1990	86,044	274,910	360,954
1991	83,341	248,267	331,608
1992	83,650	239,220	322,870

ADMINISTRATIVE AND OPERATING EXPENSES

Mr. DURBIN. Please provide for the record an update of the table that appeared on pages 434 and 435 of last year's hearing record that described the administrative and operating expenses obligations and FCIC revolving fund activities.

Mr. WITT. I would be pleased to provide you with the information.

[The information follows:]

ADMINISTRATIVE AND OPERATING EXPENSES OBLIGATIONS
FISCAL YEARS 1981 THROUGH 1992
(DOLLARS IN THOUSANDS)

FISCAL YEAR	FCIC ADMINISTRATIVE EXPENSES	ASCS AGREEMENT EXPENSES	LOSS ADJUSTMENT EXPENSES	NUMBER OF SALES and SERVICE CONTRACTS	SALES and SERVICE CONTRACT EXPENSES	NUMBER OF REINSURANCE AGENCY AGREEMENTS	REINSURANCE EXPENSE	TOTAL A&O OBLIGATIONS
1981	$54,789	$2,950	$236	UNAVAIL	$27,658	17	$6,318	$91,951
1982	99,932	5,028	4,632	51	46,978	35	9,463	166,033
1983	56,972	5,215	7,558	55	25,958	46	26,184	121,887
1984	54,127	7,214	12,141	61	25,535	48	75,709	174,726
1985	51,781	16,911	10,317	68	19,822	50	107,275	206,106
1986	70,231	8,818	5,978	43	12,125	48	101,308	198,460
1987	50,661	3,242	6,143	32	10,388	44	106,990	177,424
1988	51,515	3,695	9,867	30	13,618	38	154,663	233,358
1989	57,182	5,026	8,593	23	18,632	29	265,890	355,323
1990	54,185	6,939	5,520	20	18,878	30	271,616	357,138
1991	55,514	6,153	4,027	18	17,350	24	248,267	331,311
1992	64,013	5,215	3,144	14	14,555	26	246,363	333,290
TOTAL	720,902	76,406	78,156	415	251,497	435	1,620,046	2,747,007

SPECIFIC ACTIVITIES IN FCIC REVOLVING FUND
ACTUAL 1981 THROUGH 1992
(DOLLARS IN THOUSANDS)

FISCAL YEAR	FUND APPROPRIATION	FARMER-PAID PREMIUM	FEDERAL SUBSIDY EARNED	AMOUNTS BORROWED OR TRANSFERRED	POLICIES INSURED	TOTAL INDEMNITIES	A&O EXPENSES PAID BY FUND	FCIC FUND BALANCE
1981	0	$332,163	$46,996	$250,000	418,631	407,232	$34,212	$140,719
1982	$57,456	307,253	91,418	250,000	387,692	528,824	24,883	201,721
1983	115,575	226,813	64,559	150,000	314,401	582,550	0	111,559
1984	85,117	337,809	98,352	50,000	394,389	649,572	0	(65,087)
1985	110,000	340,133	100,088	163,000	415,207	656,117	0	(108,071)
1986	134,190	290,110	89,633	450,000	406,975	594,044	0	172,185
1987	135,743	264,842	87,129	300,000	472,251	582,050	0	290,720
1988	228,523	326,618	107,379	900,000	461,630	1,041,694	13,058	691,109
1989	112,000	579,950	205,388	400,000	941,641	1,174,484	147,130	461,445
1990	162,939	646,916	214,170	300,000	1,133,674	1,002,107	117,368	451,825
1991	337,365	573,402	196,312	150,000	930,706	965,839	0	483,944
1992	260,500	569,182	189,727	338,000	-----------	1,052,160	10,623	498,527
TOTAL	$1,739,408	4,795,191	1,491,151	3,701,000	6,277,197	9,236,673	347,274	-----------

CROPS INSURED

Mr. DURBIN. For the record, please provide a list of all crops on which crop insurance is now being offered.

Mr. WITT. I would be pleased to provide you with the information.

[The information follows:]

CROPS INSURED FOR THE 1993 CROP YEAR

Almonds, apples, barley, canning beans, citrus, citrus trees, corn, cotton, cotton extra long staple, cranberries, dry beans, dry peas, figs, flax, forage production, forage seeding, fresh market sweet corn, fresh market tomatoes, fresh plums, grain sorghum, grapes, green peas, group risk plan soybeans, hybrid corn seed, hybrid sorghum seed, macadamia nuts, and macadamia trees.

Also nursery, oats, onions, peaches, peanuts, pears, peppers, popcorn, potatoes, prevented planting, prunes, raisins, rice, rye, safflower, soybeans, stonefruit, sugar beets, sugarcane, sunflowers, sweet corn (can. and process.), table grapes, tobacco, tomatoes (can. and process.), walnuts, wheat.

CCC TRANSFERS

Mr. DURBIN. Over the years, you have had to borrow a significant amount of funds from CCC to cover indemnities. For the record, would you provide a table showing Treasury and CCC borrowing since 1981? Include with that your estimates for 1993.

Mr. WITT. Transfer of funds from CCC ensure there is sufficient cash reserve in the fund to make timely indemnity payments in the event of adverse agricultural conditions nationwide.

[The information follows:]

Federal Crop Insurance Corporation CCC Transfers

[Dollars in millions]

Fiscal year:	*Amount of transfer*
1981	$250
1982	0
1983	0
1984	0
1985	0
1986	450
1987	300
1988	900
1989	400
1990	300
1991	150
1992	338
1993 estimate	150
Total	3,238

Treasury Borrowings

Fiscal year 1985	$113

PRINCIPAL CROP PARTICIPATION

Mr. DURBIN. Could you please provide us with a table that shows the principal crops on which you offer crop insurance? How many acres were eligible during fiscal year 1991? How many acres of each crop was insured by FCIC and the percent eligible for the crop insurance? Please provide the same information for reinsured companies.

Mr. WITT. A table has been prepared showing information on principle crops that comprise over 98 percent of insured acres. This table shows participation data on acres insured directly and reinsured by FCIC. The number of acres eligible for crop insurance is unknown. This is because NASS data, which is a count of all planted acres, is used as a basis for participation data. Some planted acres such as acres planted for cover crops, silage, or hay are excluded from insurance coverage by policy provisions. Certain farm and owner characteristics may eliminate a market for crop insurance. These characteristics include sufficient financial capacity to self-insure; acreage planted to crops which have a minor contribution to the total income of the farm; acreage grown by part-time farmers; and acres farmed by very large, conglomerate business corporations. FCIC believes these characteristics distort participation rates previously published.

FCIC is currently reviewing its methods for measuring participation, including what factors influence a farmer's participation decision and how these factors can be recognized when measuring participation.

[The information follows:]

FEDERAL CROP INSURANCE CORPORATION
principal crops participation•
by delivery systems - 1992
1,000 acres

PRINCIPAL CROPS	INSURABLE° ACRES	*FCIC INSURED*		FCIC *REINSURED*	
		NET INSURED ACRES	PERCENT INSURED	NET INSURED ACRES	PERCENT INSURED
Barley	7,369	397	5.4	2,589	35.1
Dry Beans	1,562	44	2.8	680	43.5
Corn	78,916	1,029	1.3	21,758	27.6
Cotton	13,311	192	1.4	4,103	30.8
Oats	5,233	99	1.9	679	13.0
Peanuts	1,778	133	7.5	921	51.8
Potatoes	1,318	15	1.1	241	18.3
Rice	3,025	77	2.5	524	17.3
Sorghum	11,499	227	2.0	3,361	29.2
Soybeans	58,941	779	1.3	13,398	22.7
Sugar Beets	1,440	58	4.0	577	40.0
Sunflowers	2,073	66	3.2	831	40.1
Tobacco	782	44	5.6	252	32.3
Wheat	63,015	3,844	6.1	24,859	39.4
TOTAL	250,262	7,004	2.8	74,774	29.9

• *Information as of February 5, 1992*

° *Insurable acres are based on total NASS planted acres. These acres are overstated because policy provisions do not insure all planted acres. In addition, certain farm characteristics may eliminate a market for crop insurance. More accurate participation data is currently being developed by FCIC.*

PARTICIPATION BY CROP

Mr. DURBIN. Please provide a table, by crop, that shows the average participation rate for the last three fiscal years. For each crop show the insurable acres, the insured acres, and the percent of each.

Mr. WITT. I would be pleased to provide you with the information for the record.

[The information follows:]

FEDERAL CROP INSURANCE CORPORATION

PARTICIPATION* - 1990, 1991 AND 1992
1,000 ACRES

CROP	INSURABLE ACRES° 1990	INSURABLE ACRES° 1991	INSURABLE ACRES° 1992	NET INSURED ACRES 1990	NET INSURED ACRES 1991	NET INSURED ACRES 1992	PERCENT INSURED 1990	PERCENT INSURED 1991	PERCENT INSURED 1992
Almonds	407	380	380	120	131	122	29	35	32
Apples	416	415	415	62	56	56	15	14	14
Barley	7,723	8,434	7,369	3,762	4,062	2,986	49	48	41
Beans, Canning	257	246	206	21	11	9	8	4	4
Beans, Dry	2,154	1,893	1,562	1,146	952	724	53	50	46
Citrus	890	844	877	43	43	33	5	5	4
Citrus Trees	34	28	28	27	12	18	79	43	63
Corn	73,808	75,575	78,916	26,649	21,229	22,786	36	28	29
Cotton, ELS	232	247	265	18	21	24	8	8	9
Cotton, Upland	12,197	13,897	13,311	4,669	4,857	4,296	38	35	32
Cranberries	28	28	28	5	5	6	19	20	22
Figs	16	16	16	5	5	5	29	31	33
Flax	260	345	185	142	155	62	55	45	33
Forage Production	0	0	0	381	182	121	0	0	0
Forage Seeding	0	0	0	39	31	32	0	0	0
Grapes, Table	84	80	80	4	7	7	5	9	8
Grapes: Processed	385	386	386	52	66	56	13	17	14
Macadamia Nuts	18	18	18	2	1	1	12	6	6
Macadamia Trees	18	18	18	2	2	2	10	11	10
Oats	6,998	5,741	5,233	1,739	973	778	25	17	15
Onions	65	66	67	10	10	5	15	15	7
Peaches	95	96	96	52	50	43	55	52	45
Peanuts	1,836	2,042	1,777	1,131	1,329	1,054	62	65	59
Pears	64	66	66	2	0	1	3	1	1
Peas, Dry	166	326	298	45	44	44	27	14	15
Peas, Green	367	355	353	136	117	124	37	33	35
Peppers	23	21	20	2	2	2	9	9	10
Plums	41	42	42	1	3	2	3	6	6
Popcorn	0	0	0	83	60	86	0	0	0
Potatoes	1,379	1,399	1,318	304	305	256	22	22	19
Prunes	78	80	80	15	20	18	19	24	23
Raisins	270	266	266	104	96	91	39	36	34
Rice	2,887	2,857	3,025	541	505	602	19	18	20
Rye	0	0	0	14	8	7	0	0	0
Safflower	0	0	0	156	70	53	0	0	0
Sorghum	9,723	10,176	11,499	3,506	3,187	3,589	36	31	31
Soybeans	57,696	58,965	58,941	17,484	14,531	14,177	30	25	24
Stonefruit	94	97	97	3	6	4	3	6	4
Sugar Beets	1,400	1,421	1,440	607	640	634	43	45	44
Sugarcane	715	825	879	24	36	39	3	4	4
Sunflowers	1,905	2,693	2,073	1,132	1,436	898	59	53	43
Sweet Corn: Fresh	62	54	54	22	21	21	35	40	39
Sweet Corn: Processed	534	566	535	148	138	122	28	24	23
Tobacco	730	761	782	306	300	296	42	39	38
Tomatoes: Fresh	116	112	112	15	21	10	13	19	9
Tomatoes: Processed	366	367	274	87	101	62	24	27	23
Walnuts	178	181	181	5	9	6	3	5	3
Wheat	67,332	60,329	63,015	36,344	26,441	28,703	54	44	46
TOTAL	**254,047**	**252,756**	**256,585**	**101,168**	**82,286**	**83,086**	**40**	**33**	**32**

* *Information as of February 5, 1993*

° *Insurable acres are based on total NASS planted acres. These acres are overstated because policy provisions do not insure all planted acres. In addition, certain farm characteristics may eliminate a market for crop insurance. More accurate participation data is currently being developed by FCIC.*

PROGRAM INDICATORS

Mr. DURBIN. For the record, please provide a table of program indicators for crop years 1979, 1980, 1981, 1990, 1991, and 1992.

Mr. WITT. I would be pleased to provide you with the information.

[The information follows:]

PROGRAM INDICATORS
(DOLLARS IN THOUSANDS)

CROP YEAR DATA	1979	1980	1981	1990	1991	1992
Number of States	39	39	49	50	50	50
Number of County Programs	4,063	4,629	5,969	21,085	21,085	21,085
Number of Counties	1,526	1,676	1,928	3,026	3,026	3,022
Insurance in Force	$2,138,806	$3,018,320	$5,982,033	$12,825,212	$11,568,040	$11,277,299
Insured Acres	21,461	26,272	44,975	101,265	85,245	83,117
Potential Acreage	203,907	224,458	224,458	248,576	248,576	251,474
Participation Rate	10.52%	11.70%	20.04%	40.74%	34.29%	33.05%
Liability Per Acre	$99.66	$114.89	$133.01	$126.65	$135.68	$135.68
Ratio of Insurance in Force to Net–Risk Premium	20.70	18.29	15.78	15.33	15.42	14.68
Net–Risk Premium Per Acre	$4.81	$5.96	$8.43	$8.26	$8.80	$9.24
NET RISK PREMIUM						
Producer Premium:						
Government Operations	$103,324	$156,465	$320,250	$73,054	$61,875	$50,999
Reinsurance Operations	0	0	11,814	552,205	500,625	525,000
Total Producer Premium	103,324	156,465	332,064	625,259	562,500	575,999
Subsidy:						
Government Operations	0	0	46,111	23,163	20,625	17,000
Reinsurance Operations	0	0	994	188,028	166,875	175,000
Total Subsidy	0	0	47,105	211191	187500	192,000
Total Premium – Net Risk:						
Government Operations	103,324	156,465	366,361	96,217	82,500	68,000
Reinsurance Operations	0	0	12,808	740,233	667,500	700,000
Total Premium – Net Risk	$103,324	$156,465	$379,169	$836,450	$750,000	$768,000
TOTAL INDEMNITIES						
Government Operations	$67,153	$342,626	$398,751	$164,900	$99,000	$93,160
Reinsurance Operations	0	0	9,350	868,300	801,000	959,000
Total Indemnities	$67,153	$342,626	$408,101	$1,033,200	$900,000	$1,052,160
LOSS RATIO:						
Government Operations	0.65	2.19	1.09	1.71	1.20	1.37
Reinsurance Operations	N/A	N/A	0.73	1.17	1.20	1.37
Combined Loss Ratio	0.65	2.19	1.08	1.24	1.20	1.37

Note: This table reports Crop Year data, which will not agree with Fiscal Year data.

DEBT WRITE OFF

Mr. DURBIN. How much debt did FCIC write off during fiscal years 1991 and 1992?

Mr. WITT. The amount of debt written off by FCIC was $814,824 for 1991 and $4,771,500 for 1992.

PROGRAM EXPANSION

Mr. DURBIN. In 1984 the General Accounting Office in one of its reports suggested that the crop insurance program not expand any further until it became more actuarially sound. For the record, can you show, by year, the number of expansions in each year since 1981?

Mr. WITT. I would be pleased to provide you with the information.

[The information follows:]

FEDERAL CROP INSURANCE CORPORATION
NEW COUNTY CROP PROGRAM SUMMARY

CROP YEAR	NUMBER OF NEW COUNTY CROP PROGRAMS (ALL CROPS)	NUMBER OF CROPS WITH NEW COUNTIES	NUMBER OF NEW CROPS
81	1,329	21	1 (Almonds)
82	8,559	25	NONE
83	901	10	2 (Citrus Trees, Hybrid Corn Seed)
84	2,394	27	5 (Fresh Market Tomatoes, Peppers, Popcorn, Table Grapes, Walnuts)
85	1,052	21	2 (ELS Cotton, Fresh Market Sweet Corn)
86	150	16	1 (Prunes)
87	205	15	1 (Safflowers)
88	430	22	6 (Canning Beans, Cranberries, Figs, Hybrid Sorghum Seed, Onions, Stonefruit)
89	834	35	3 (Macadamia Nuts, Macadamia Trees, Pears)
90	918	37	2 (Fresh Plums, Nursery)
91	20	9	NONE
92	109	4	1 (Special Citrus)
93	187	5	1 (GRP Soybeans)
TOTAL	17,088	247	27

NOTE: Total county crop programs in 1980 (before Crop Insurance Act of 1980) - 4,629

1992 NEW PROGRAMS

Mr. DURBIN. Please provide for the record, a table showing new county programs, by crops, premium, indemnities, and loss ratio for 1992 combined experience.

Mr. WITT. I would be pleased to provide you with the information.

[The information follows:]

FEDERAL CROP INSURANCE CORPORATION
1992 CROP YEAR TO DATE FCIC/REINSURANCE COMBINED EXPERIENCE
US SUMMARY FOR NEW COUNTY PROGRAMS BY STATE BY COUNTY

CROP: COTTON

STATE / COUNTY	POL EARN PREM	POL INDEM	UNITS EARN PREM	GROSS ACRES	NET ACRES	LIAB	PREM	SUBSIDY	INDEM	LR	EPR	LCR
NORTH CAROLINA												
Carteret	1	1	1	1,025	1,025	216,294	23,165	7,008	173,550	7.49	.11	.80
Columbus	2	2	4	387	387	81,561	10,688	2,914	65,850	6.16	.13	.81
Pasquotank	1	0	3	274	274	61,465	6,819	2,042	0	.00	.11	.00
TOTAL NORTH CAROLINA	4	3	8	1,685	1,685	359,320	40,672	11,964	239,400	5.89	.11	.67

CROP: SOYBEANS

STATE / COUNTY	POL EARN PREM	POL INDEM	UNITS EARN PREM	GROSS ACRES	NET ACRES	LIAB	PREM	SUBSIDY	INDEM	LR	EPR	LCR
PENNSYLVANIA												
Clarion	1	1	1	23	23	2,503	173	51	2,503	14.47	.07	1.00
Fayette	2	0	2	120	120	12,508	732	214	0	.00	.06	.00
TOTAL PENNSYLVANIA	3	1	3	143	143	15,011	905	265	2,503	2.77	.06	.17

FEDERAL CROP INSURANCE CORPORATION
1992 CROP YEAR TO DATE FCIC/REINSURANCE COMBINED EXPERIENCE
US SUMMARY FOR NEW COUNTY PROGRAMS BY STATE BY COUNTY

CROP: SPECIAL CITRUS

STATE / COUNTY	POL EARN PREM	POL INDEM	UNITS EARN PREM	GROSS ACRES	NET ACRES	LIAB	PREM	SUBSIDY	INDEM	LR	EPR	LCR
CALIFORNIA												
Fresno	30	1	52	1,440	1,440	1,128,814	55,265	16,444	27,692	.50	.05	.02
Imperial	1	0	1	20	20	23,500	1,176	353	0	.00	.05	.00
Kern	3	0	5	202	202	134,754	6,814	2,043	0	.00	.05	.00
Madera	2	0	3	51	51	63,054	4,216	1,270	0	.00	.07	.00
Riverside	3	0	6	513	513	379,282	17,686	5,192	0	.00	.05	.00
Tulare	249	0	610	11,565	11,348	10,273,936	504,475	150,318	0	.00	.05	.00
Ventura	8	0	10	404	404	636,095	29,666	8,881	0	.00	.05	.00
TOTAL CALIFORNIA	296	1	687	14,196	13,979	12,639,435	619,298	184,501	27,692	.04	.05	.00

CROP: SWEET CORN

STATE / COUNTY	POL EARN PREM	POL INDEM	UNITS EARN PREM	GROSS ACRES	NET ACRES	LIAB	PREM	SUBSIDY	INDEM	LR	EPR	LCR
IOWA												
Hancock	1	0	3	162	162	29,596	1,842	562	0	.00	.06	.00
Tama	2	2	2	174	87	18,184	1,506	262	3,702	2.46	.08	.20
TOTAL IOWA	3	2	5	336	249	47,780	3,348	824	3,702	1.11	.07	.08
TOTAL 92	306	7	703	16,359	16,055	13,061,546	664,223	197,554	273,297	.41	.05	.02

GROUP RISK PLAN

Mr. DURBIN. You and Dr. Skees have testified relative to the pilot test program that is starting this spring called the Group Risk Plan. Can you compare this with the Administration's proposed Area-wide Plan? What are the differences?

Mr. WITT. The document "A Vision of Change for America" recently released by the Office of Management and Budget states that the Administration proposes to reform crop insurance by building on an ongoing FCIC pilot project of "area-yield" insurance. FCIC has a pilot project called the Group Risk Plan-GRP-which will be offered for the 1993 and 1994 crops. The GRP triggers indemnities to insured individuals based on the performance of the county's yield as estimated by the USDA's National Agricultural Statistics Service. If the average yield for a year is less than a specific percentage of the expected yield, all insured persons receive an indemnity. There is no individual determination of losses. Research indicates that this product can provide reasonable levels of protection if the farm yield is well correlated with county yield. This pilot is offered in 96 counties of 13 states for soybeans.

Since the Administration is currently formulating the FY 1994 budget, FCIC is not in a position to provide details concerning this proposal. As soon as the President's FY 1994 budget is released, FCIC will be pleased to provide the Committee with the details of the proposed reform and how it compares to the GRP.

Mr. DURBIN. Please explain the President's proposed concept. Will this be used nationwide?

Mr. WITT. The document "A Vision of Change for America" states that the Administration proposes to reform crop insurance by building on an ongoing FCIC pilot project of "area-yield" insurance. FCIC cannot yet offer specific details of this proposal because the Administration is currently formulating the FY 1994 budget.

Mr. DURBIN. Does it seem prudent to do the pilot test first to see if the Group Risk Plan works before you go nationwide with the Area-wide Plan?

Mr. WITT. FCIC has undertaken a pilot test of an area-yield concept which is called the Group Risk Plan. The basic concepts and theoretical foundations of this plan are well documented. The pilot was developed to measure public acceptance of this risk management tool and to identify ways in which it could be improved to provide even better protection.

As soon as the President's FY 1994 budget is released, FCIC will be pleased to provide the Committee with the information concerning further pilot testing and expansion.

Mr. DURBIN. The last question is for Dr. Skees. I am trying to sort out in my mind exactly where we stand. The Clinton administration has proposed a basic change in crop insurance by moving to an area yield. Under this approach you are telling us that you have pilot programs in 96 counties?

Mr. SKEES. Ninety-six counties, 13 States, soybeans only.

Mr. DURBIN. Your concern is although we are prepared to do this nationwide on all crops, until you get the results of your pilot program, you won't be sure?

Mr. SKEES. We have done work on corn, wheat, and grain sorghum trying to determine whether or not the NASS data was adequate to actually set up the rating and the coverage levels in a significant number of counties. We feel like we could do that on a pilot basis, again, that is what my recommendation would be.

There is a lot of appeal. Obviously the thing that was appealing to the President and OMB, was the potential budget savings, but I do feel personally that it is premature to push that hard this fast.

Mr. DURBIN. Well, tell me what time frame do you need to be confident that this is a program that should be implemented nationwide?

Mr. SKEES. This pilot is set up for two years. At the end of two years we are going to make an evaluation. We have set up some criteria up front. If we don't get at least 10 percent of the growers to purchase this, if we don't have a better loss ratio than what the current program does, and if it is not politically acceptable to the growers, then we feel it has been a failure if it can't meet those three criteria. We feel within two years we will have a lot more information than we have now. If we did put pilots in place for some of these other crops on an expanded basis, that would clearly add more to our information base. That is going to be a decision of FCIC and others.

I guess the only thing I am saying is I am prepared to do that work, and we have already done some backgrounding in that area.

Mr. DURBIN. My last point, Mr. Dewhurst, do you know when the savings by the change from the Administration was anticipated? Was this change, to area yield, supposed to take place this next fiscal year?

Mr. DEWHURST. The administration budget will anticipate substantial savings in this program beginning in fiscal year 1994. Now, whether that comes from an immediate changeover to a new program concept or some kind of phasing, there is some work that remains to be done, but I don't want to mislead you. There are substantial savings beginning in 1994.

Mr. DURBIN. This can get interesting. Mr. Skeen.

Mr. SKEEN. To continue with that line, are those projected savings?

Mr. DEWHURST. Yes, sir.

Mr. SKEEN. Oh, okay, we do a lot of things on projections. Mr. Witt, I understand, and I think we both agree that participation has been the key to the success of this program. What major efforts are you undertaking now to increase that participation?

Mr. WITT. As I mentioned——

Mr. SKEEN. Are we taking a look at things?

Mr. WITT. We are definitely stepping up our marketing, and our education efforts. Many farmers have not realized all the improvements that we have made in the program in the last few years. We have offered a 35 percent coverage level that is a very low cost affordable type plan of insurance. We do offer the group risk plan in some pilot counties where we don't have a lot of participation because of past poor experiences.

We also have several initiatives under way within the agency that look at an individual yield plan and for improvements to the current existing actual production history program that would

target being able to bring better producers in the program by getting their records on a four-year basis without inserting county average yields that may hold down better producers that are not currently in the program. So those are some of the things we are currently doing.

Mr. SKEEN. It is a cautiously constructed program rather than the one we had before where we were trying to put as many crops under the program as possible?

Mr. WITT. Yes. We currently have——

Mr. SKEEN. You are establishing your ground?

Mr. WITT. Yes, we currently have not expanded into new crops since 1990. We currently have 2,500 programs, 2,000 to 2,500 county crop program requests to expand. We have not done that. We have just started the process of a careful evaluation by our regional service offices and their underwriting staffs to decide if it is truly prudent to enter into those programs. The methodology we have pursued in the last two years for expansion is at a pace while criticized that it may be too slow, much slower than it was in the 1980's.

Mr. SKEEN. For what reason would you turn a type of production down? For instance, the pistachio growers which are becoming a very good agricultural program in New Mexico, have applied for crop insurance coverage. They were told that they were ineligible. What is the reason for that?

Mr. WITT. We do not offer a pistachio program right now. What we have asked people that have made requests——

Mr. SKEEN. I want to use that as an example.

Mr. WITT. Okay. What we have asked growers to do that have made requests for new crop programs is to help us in obtaining the data that we need to establish some kind of experience factor so we can decide whether it is rateable, what are the causes of loss that they would like to have insured, and cognizant that it has to fall under the statute that they are insurable risks that we can cover and that they are going to be something that we can price so that it is affordable to the grower.

Mr. SKEEN. I wrote last year to the FCIC and expressed disappointment with the crop insurance purchase provisions requirement for disaster assistance. Do you believe that the disaster program should carry a requirement to purchase crop insurance?

Mr. WITT. Personally, yes, I do. I believe that as we move towards the 1990's and cost containment on all angles, that if we are going to have disaster assistance there should be some linkage to crop insurance so we have people self-helping. One of the things that people don't often understand is that in crop insurance farmers have to be sold, but they help contribute to roughly half the costs of the program, and I think that is a significant step forward.

Mr. SKEEN. This coincides with the idea that we need a diversity of programs and yet they ought to be related?

Mr. WITT. Yes. I think what everyone is speaking to is the fact that we were put on a fast track to do many different objectives, and we only had one product to do it with, and the one product did not fit all situations and all needs.

Mr. SKEEN. Where are you now with your reinsurance agreements that you are negotiating with insurers?

Mr. WITT. For the 1994 reinsurance year we have made a reinsurance agreement available to the private sector. That would be for sales of crop policies that will start on July 1 of this year.

Mr. SKEEN. Has there been a drastic change in the relationship between the FCIC and the reinsurance companies? Have you had a change in that relationship as a result of the redrafting of the reinsurance agreement?

Mr. WITT. As I said, we have had the increased risk, the reduction expense reimbursement. Some companies have chosen not to participate. We have had a reduced number of companies since the 1992 agreement. Most of that business has been consolidated in with other companies. Currently we do not have any agreements signed yet by companies for the 1994 year.

Mr. SKEEN. Have you made any recommendations that apply to field offices and the farmers that would be affect?

Mr. WITT. Are you speaking in reference to the reorganization of USDA? Yes, we have.

Mr. SKEEN. That, I believe, is all I have, Mr. Chairman.

Mr. DURBIN. Thanks, Mr. Skeen. Ms. Kaptur.

Ms. KAPTUR. Mr. Chairman, I just have one question on any of the panelists here, and that is on the issue of risk and crop insurance. I am very curious on your views on any farm in my district that has applied for crop insurance who actually bears the risk that ultimately is paid for by the taxpayers of the United States. If you look at the system, is it only the farmer that bears the risk? I know in the area of product liability, for example, when we look at asbestos and we look at court cases on that, it goes all the way from the chemical manufacturer all the way down to the retailer. There is quite a chain of actors in the system who bear the risk.

One of the unusual features of the way that we have handled crop insurance is we say to the farmer, you bear the risk. I don't really think that is an adequate or broad enough definition of who actually bears the risks of these disasters. Could someone comment on that, please.

Mr. WITT. I guess I will make an attempt and if anybody else cares to answer they can. The farmer starts out with the risk, I would agree, and what our program does is offer the farmer the ability to manage that risk through crop insurance. In return for premium we will accept that risk, at least a major portion of it, as much as 75 percent of his yield. In return, if a private company writes that under the agreement, the private company enters into that and shares in that risk.

Ms. KAPTUR. That is not the bank that finances the farmer share of the risk?

Mr. WITT. Yes, banks share some of the risk for the portion that the crop insurance program does not cover.

Ms. KAPTUR. What about seed companies that the farmer buys from?

Mr. WITT. Yes, they can share in the risk as well.

Ms. KAPTUR. Do they now?

Mr. WITT. It would depend on whatever kind of loans or operating agreements they may have with those farmers. I might say in many cases they could be at risk if the farmer does not produce the crop can they get paid for the seed, fertilizer and chemicals they

provided. FCIC provides the means for chemical companies or seed companies to have assignments of indemnity so we help offset some of those risks.

Ms. KAPTUR. Well, I would be very interested, if you were to look at the model of how we have been litigating in the area of asbestos, and there used to be a chemical called TRIS that was used on children's sleepwear, and the manner in which the courts have assigned responsibility and apportioned risk. There is an entire chain of production that bears that risk. Except for Alan Greenspan, I have not heard anyone in all the discussions—I sit in on crop insurance, talk about how to apportion risk throughout the chain of production. One of the options under consideration is to change to a disaster payment system. However, I would like to see a more complete discussion of who actually along the chain of production should bear the risk of these disasters.

Do you think you could take a stab at thinking about that as you look at other areas where risk has been shared?

Mr. WITT. Yes, we would be pleased to see who is sharing the risk.

Ms. KAPTUR. I would like to have a listing of the actors along the chain of production, then that might be a part of a discussion on risk and apportionment on risk.

Mr. WITT. The American farmer bears the primary risk associated with crop failure; however, other parties critical to a vital agriculture economy also bear risk in a secondary manner. For example, lenders have a risk that loans will not be repaid because farmers have lost income; the same is true for seed companies, equipment dealers, and other merchants who deal directly with farmers. As the economic circle widens, the entire community shares in the risks associated with crop failures.

Crop insurance protects farmers and their subsidiary risk bearers by transferring the risks associated with crop failure to the Federal government and the private sector insurance companies it reinsures. When farmers are protected, the whole community is protected from the separate risks they individually bear to a collective risk crop insurance has assumed.

In addition, you raise the conceptual issue of contingent liability. As I understand this concept, each party who has contributed to causing an injury is assessed some share of the fault and bears a share of the costs. The examples you cite are manufactured goods. In addition to the original manufacturer of the product, marketers, resellers, and other business entities were involved in placing the product at the point at which the damage or injury occurred. Thus, each was found to bear some share of the fault for those injuries.

An example which parallels those you cite might be provision of poor quality seed into the market without disclaimers. Farmers who buy such seed with the expectation that it will perform in an acceptable manner may have recourse against the provider of the seed and others who were involved in its distribution and sale.

Federal crop insurance indemnifies for losses due to adverse weather conditions or other natural phenomena that are beyond the control of any person. Poor quality seed is not an natural phenomenon. Consequently, FCIC will not indemnify the insured for any loss of production due to use of the poor quality seed. The

farmer must seek recourse against its manufacturer and others under civil laws governing commercial trade and practices.

Ms. KAPTUR. Thank you.

Mr. DURBIN. Mr. Peterson.

Mr. PETERSON. Thank you, Mr. Chairman. I have a couple questions, one on the negotiated administrative costs. As I understand it, if someone accepts a disaster payment, then they are obligated to enroll in the crop insurance program, true?

Mr. WITT. Yes. There are some exceptions that county committees can make, but as a general rule that is true.

Mr. PETERSON. That, I assume, is a reasonably large number of farmers. Are there any differences in the administrative costs of administering that segment of the customer base versus those that the insurance companies are going out and having to recruit? You know, they have those folks knocking the door down to purchase policies, I presume, and the cost for servicing that account would be lower, would it not?

Mr. WITT. Yes, we reduced the compensation made to companies for policies that are linked via the disaster legislation.

Mr. PETERSON. Okay. Then it takes me to the negotiated agreement here that you are working on now for 1994. I am concerned that given the administration's recently announced proposal, that we are going to be into area yield in your next negotiated agreement. Have you plugged that in? Is that going to impact? Is there a cost savings in the administrative cost or is it the same, or how will this area yield program impact on your negotiations with your reinsurers?

Mr. WITT. That is a good point, and that is a problem that the agency is currently looking at. The 1994 reinsurance agreement was finalized prior to the transition, and that is the agreement we have been operating under now for almost 60 days. Going to the area yield type concept will require us to probably revise the 1994 agreement because there will be different expense reimbursement factors.

We may also have to look at the risk factors and the risk bearing part of the agreement. There is an appropriations contingency clause built into the agreement that does allow the agency to go back and revise it based on the monies that are available to the agency.

Mr. PETERSON. Do you anticipate an increased cost for dealing with this kind of program as opposed to what you have been dealing with before or a lesser cost?

Mr. WITT. Currently, I guess within the last two weeks that we have received our directions on this, we are currently analyzing what we would need to do and what options may be available. I don't have those numbers right at this moment, but that is one of the things that is on the forefront we have to look at.

Mr. PETERSON. As I understand how you operate, you create your own price forecast as opposed to using the ag outlook board forecast that essentially everyone else in USDA uses. Why the differentiation for this versus other programs within USDA?

Mr. WITT. Basically our Act provides that we are to provide not less than the projected market price for the commodities that we insure, so we attempt to get as close to the market price as we pos-

sibly can. Since the GAO audit, we have strongly considered the world outlook board price, but we use other information that allows us to get closer to the market season before we have to make the offer, or we get into any adverse selection.

I think it is interesting to note that the prices that FCIC has offered since that time of the nine key prices that have come out for certain crops, in six of those nine situations we have actually been closer to the season average market price, so while I think there was experience in the 1980's that said we needed to take a stronger look at the world outlook board, we have considered that. We have changed the process where I believe we are much closer today where we need to be in the season average prices.

Mr. PETERSON. Then you are not having to make a decision on your program until further down the pike as opposed to the numbers that come out on the world board which is used by USDA and other areas?

Mr. WITT. Yes, generally the world outlook board is earlier in the season than when we offer the actual market price. We are doing that closer to the growing season, and we actually have more data. For example, Chicago Board of Trade numbers and items like that we can consider in making our final decision.

Mr. PETERSON. Okay. My last question really is for our professor from Kentucky. It is the same question I asked the GAO. What are the dangers of going into this area yield prematurely? Where are the catastrophic problems associated with that or can the problems be managed in the macro sense, at least, to find a solution?

Mr. SKEES. Again, the basic thing that needs to be stressed is that you have got to have some confidence in the data that you use to develop the rating and the coverage, so the dangers would be in the areas where crops have not—a specific crop has not been grown very long or NASS does not have quality data in that particular area, that county, so there would be some dangers there. Hopefully, you could put some checks and balances in so you might offset your mistakes on either side, but still there are dangers there. The other danger with this is this product rating-wise is a lot lower and the rates are a lot lower than what MPCI.

For that reason if there is a widespread catastrophe, your loss ratio will be higher than MPCI simply because rates are lower, and if you are paying out more with a lower rate in a particular one-year event, like an 1988 drought, you will have a loss ratio that is alarming to some people, but that is the nature of the product. Too, I think that is one thing you have to keep in mind.

In rating the product, what we have done is—the principles that FCIC uses, we have a reserve load of 10 percent in the product, and we have also done something that is called a catastrophic loading. In this particular product with soybeans, if we would have had the same product in place in the 36 years of data that we used to rate it, the loss ratio over the whole time period would have been 72. That is still a very conservative rating procedure, and I think it is important that you have some conservative rating procedures involved.

Remember, too, that is offset with a subsidy, so that the other point here is that every grower, for every dollar they put in, they can expect a dollar back in essence once you put that subsidy on.

The other point here is that it is done in a way that it is not skewed to a few growers, so there are some issues that get involved in your question.

Mr. PETERSON. Would you anticipate us having to drop any crops in the process of going to area yield? Is there any suggestion that that would be considered?

Mr. WITT. Those are some of the considerations that we are looking at right now. I think an important point that needs to be brought out is the proposal by the administration on counting average performance would probably require legislative changes under our act to be able to implement across the board. Under our current statute, we are not in a position to be able to implement those changes nationwide.

Mr. PETERSON. Okay. Thank you. That is all the questions I have, Mr. Chairman. Thank you.

Mr. DURBIN. Thank you very much. Mr. Myers.

Mr. MYERS. Thank you, Mr. Chairman. First off, in response to—Ms. Marcy Kaptur left. The insured carries our risk in our area. I have to pay my seed bill, my fertilizer bill, my chemicals at the time shortly after I buy them or maybe even sometimes before, so the insured carries the risk. If there is a loss above what the insurance covers, there is going to be a judgment against a producer or the insured, so ultimately it is the insured that would carry the risk.

Mr. WITT. The insured carries the initial risk. Crop insurance provides a means for a transfer of a portion of that risk.

Mr. MYERS. Maybe a part of it anyway. My experience has been it just barely meets production costs, insurance just barely covers what the investment is. That is probably all it should. So the insured really carries the risk, it would seem to me.

In the GAO report which you listened to, it sounded like they were somewhat critical of the fact that you hadn't really offered insurance, hadn't expanded as rapidly. Yet in this discussion today it seems that you are caught between a rock and a hard place on this.

Mr. WITT. When you strive for actuarial soundness you give up something in participation. The experience of the 1980's, we focused solely on participation, and we sacrificed actuarial soundness. In the 1990's the change because of cost containment and the economic conditions means we are striving now for actuarial soundness. We are caught, and that is why we are looking at research alternatives on different products that can become available so that we might be able to offer a different plan of insurance that could be rated and could be offered that would be actuarially sound.

Mr. MYERS. It seems like years ago, Neal. Do you remember when there was a tremendous loss for avocados every year? Have you ever terminated any crops, no longer insure them?

Mr. WITT. Yes, we have terminated some county crop programs as recently as January. I think it is worth noting that that is the first time since 1980. We were expand, expand, expand, and in January the board of directors for the first time approved rescinding county crop programs that either we didn't have business in or we had very little business and we had high loss ratios. We began to

withdraw from some of those, and I think that was a significant first step in what had been a direction in the opposite expansion.

Mr. MYERS. Please compare the Federal Crop Insurance Corporation reinsurance program of the 1980's with that of the 1990's. Is it required of the FCIC to only shift risk to the private sector to the extent that the private sector can shoulder it? Please explain.

Mr. WITT. Title XXII of the Food, Agriculture, Conservation, and Trade Act of 1990 directed the Federal Crop Insurance Corporation to revise its reinsurance agreements to "require the reinsured companies to bear an increased share of any potential loss under such agreement, taking into consideration the financial conditions of the reinsured companies and the availability of private reinsurance." It will provide additional information for the record, comparing the 1980's and 1990's reinsurance program.

[The information follows:]

FCIC's reinsurance program of the 1980's, utilized proportional reinsurance and state and national stop loss provisions, which substantially reduced the overall exposure for private insurers. The agreements throughout the 1980's provided a high level of protection for the companies. The 1992 Standard Reinsurance Agreement (SRA) significantly increased the reinsured companies' overall exposure for losses. Exposure was increased in the proportional reinsurance funds and the nonproportional (catastrophic coverage) reinsurance. Additionally, FCIC reduced the administrative expense reimbursement in each of the 1992, 1993 and 1994 agreement years.

Agreements during the 1980's were structured so that only small amounts of losses were retained by a company in any state. These small retained losses were easily offset by gains, however, the gains were not shared between the Government and the company as was the case with the losses. The company's share of gains then was calculated on the entire premium, including that which pertained to states with overall losses. This approach made overall losses for the company very unlikely, as evidenced by the experience of 1988.

The 1992 and subsequent agreements changed this methodology. Losses still are shared on a state by state basis. Importantly, gains also are shared state by state. Overall gain or loss no longer is a percentage of the total premium, but rather is the sum of the state by state gains and losses.

The change described above, while seemingly innocuous, is quite powerful in its impact. It forces companies to exercise greater care in managing their business. FCIC recognizes that it does not attain the ultimate goal: that the company bear loss if the Government bears any overall loss. However, the provisions of Title XXII of the FACT Act (cited above) require FCIC to incrementally improve the agreements while recognizing the underlying quality of the crop insurance portfolio, the financial impacts to companies and the availability of outside reinsurance.

Mr. MYERS. President Clinton has talked about a reduction in personnel. Have you started addressing how you are going to take that 4 percent cut and where it is going to be?

Mr. WITT. Yes, we have. We started looking at what our alternatives would be and where we could make the cuts. It is interesting to note that FCIC in the last two years had already begun downsizing operations in some areas, focusing resources into other needed areas, but we are looking at where we can make the reductions.

Mr. MYERS. Will the insured suffer because of this?

Mr. WITT. In service to the insureds, no, we do not believe that they will suffer. If we have to make reductions in budget proposals, we are looking at ways that everyone will have to share—the companies, the FCIC, and to some degree farmers.

Mr. MYERS. The companies are just going to pull out, aren't they? They are not compelled to do business with you if they don't get adequately taken care of, they are going to pull out of the program and leave you high and dry; isn't that correct?

Mr. WITT. That is a possibility. I guess it will depend on what the final product is that is offered on the street and whether they feel it is a viable product, and if that happens we will have to look at our other alternatives for offering a program.

Mr. MYERS. Professor Skees, the 96 counties, have they been identified now?

Mr. SKEES. Yes, sir. This document has all 96.

Mr. MYERS. What document is that?

Mr. SKEES. I would be happy to share it.

Mr. MYERS. Would you provide it for the record?

Mr. SKEES. Yes.

[The information follows:]

GRP STATES AND COUNTIES

Alabama, DeKalb, Jackson, Limestone, and Madison.

Arkansas, Craighead, Desha, Drew, Lee, Lincoln, Lonoke, Mississippi, Phillips, Poinsett, and Pulaski.

Georgia, Bulloch, Burke, Jenkins, and Screven.

Illinois, Christian, Greene, Jefferson, Macon, Richland, Scott, and Wayne.

Indiana, Clark, Decatur, Franklin, Jackson, Jefferson, Knox, Pike, Rush, Scott, Sullivan, and Washington.

Kentucky, Carlisle, Fulton, Graves, Hickman, Logan, Simpson, and Todd.

Louisiana, Avoyelles, East Carroll, Franklin, Point Coupoee, Rapides, St. Landry, Tensas, and West Carroll.

Mississippi, Bolivar, Chickasaw, Clay, Issaquena, Leflore, Lowndes, Monroe, Skarkey, Sunflower, and Yazoo.

Missouri, Cape Girardeau, Cooper, Franklin, Howard, Lincoln, Mississippi, Moniteau, Perry, Randolph, Scott, St. Charles, and Warren.

North Carolina, Beaufort, Cumberland, Hoke, Hyde, Robeson, Scotland, and Washington.

Ohio, Brown, Clermont, Delaware, Franklin, Highland, and Licking.

South Carolina, Allendale, Bamberg, Barnwell, Clarendon, Hampton, Sumter, and Williamsburg.

Tennessee, Gibson, Henry, and Weakley.

Mr. MYERS. Did you select the 96 counties or the FCIC?

Mr. SKEES. Under contract with the FCIC, I selected them. The criteria basically were to look at loss participation, also counties that had significant losses and clearly we have counties of that nature because in the 96, remember $170 million of excess losses are represented out of $500 million, so that is a big characteristic of the county.

Mr. MYERS. Okay. I will be anxious to learn next year, you will have some information next year for the first year, won't you, when you come before the committee?

Mr. SKEES. Yes, sir.

Thank you for your testimony.

Mr. DURBIN. Mr. Pastor.

Mr. PASTOR. In the interest of time I have no further questions.

Mr. DURBIN. What a real gentleman. Mr. Smith.

Mr. SMITH. I am real interested in this discussion because I have been one over the years that discussed the proven yields on a ten-year basis while ASCS had a five-year basis. In both cases proven yields were not a proper measure because some farmers improved their yields and some of them didn't. Some of them, frankly, found bushels off of another farm to put on a different farm. There are all kinds of problems with proven yields.

In addition, another problem that you have had is the difference between the basic crops and the specialty crops. It is very, very difficult to get yields on speciality crops. However, I think that using county yields is a good place to begin. I assume you are talking about ASCS yields?

Mr. SKEES. These are NASS data.

Mr. SMITH. Why don't you use county ASCS yields?

Mr. SKEES. ASCS yields are a lot closer to a harvested acre yield than a planted acre yield. If you are thinking about insuring, you really want to insure what the farmer is going to plant, and NASS data has planted acre yield data, so that is the basic reason.

Mr. SMITH. Do they differ per farm?

Mr. SKEES. They differ by region. In some areas of the country they are very, very close. It is the areas where you have some abandoned acreage because of severe weather events that you will have some significant difference in these two yields.

Mr. SMITH. Well, it is going to be awful hard to explain to somebody why their ASCS yield is different from the yield you are using.

Mr. SKEES. Keep in mind that what we are using as the NASS data to forecast what the county average yield is in 1993, and that is the way this system is driven—based on that forecast of what the county yield is.

Mr. SMITH. Well then you are going to pay out based on the county average yield rather than on the individual farm, and here is where I don't understand why you didn't use the Crop Suitability rating (CSR) to adjust farms.

Mr. SKEES. I am sorry.

Mr. SMITH. Crop suitability. On virtually every farm, if not every field, we have crop suitability ratings, and what you are going to end up with is the same problem you have now with your experiment. The producers that have the highest yielding farms are going to be out of the program because the risk is too low compared to premium you are going to charge them. You ratchet up the premiums to try to cover all the losses, and you are going to have the highest risk ones in and the lowest risk ones out.

With a CSR you would take the county average and then you adjust it per farm according to the CSR. That gives you the potential that a farm would have. Then you would get premiums that are in line with what that farm should pay.

Mr. SKEES. Okay, keep in mind that the only way that an individual farmer gets paid with this concept, this program, is if the county has a loss. In order to attract the farmers that have yields that are higher than what the county yield is, we have allowed farmers to load up the protection level that they can purchase 150 percent. Therefore, if we are talking about a county that has a soybean yield of 30 bushels, farmers that have 45 bushel soybean yields would be attracted to this program. So we have thought about that. We haven't thought about it on the detailed basis that you are discussing, but we have allowed for that kind of thing to occur.

Mr. SMITH. Now there is another problem that is going to come up and that is that the bankers are not going to consider that to be adequate collateral on loans. County-wide averages are not collater-

al for an individual farmer's problem. We have tornadoes in Iowa where it only affects four or five farms in an area sometimes, just wipes them out.

Mr. SKEES. Yes, sir.

Mr. SMITH. There isn't any reason you couldn't have come up with what I am talking about as a pilot program. I think your program is destined to fail before you even start because it has got most of the problems that you had in the other program. You have used county average yields, and that is one little step forward as a beginning point, but from there on you have lost it.

Mr. SKEES. If you keep in mind that whenever there is a widespread catastrophic loss in the county, most of the growers in that county will also have a loss. What becomes important for the grower to make a decision, and for the banker to make a decision, is to understand about this product and whether it works at all for that individual operation and how well that farm yield tracks with the county yields, and we have done a lot of research on this, and we have seen that in a lot of cases that this is, in fact, the case—that they will track quite well.

Mr. SMITH. I can tell you about one county in Iowa this year that had a flood, and I know one fellow that had 170 bushels of corn, and the county had a disaster. I just think you have got to get it down to farmer-by-farmer or else what you end up with is the lowest risk farmers are not going to be in the program because the risk is out of line compared to the premium. Then you end up with only the higher risk people and you can't design a program solely for them. You can't design a program with only high risk people in it where they can afford to pay the premium and you can still come out okay. I just think your pilot program has only corrected maybe 10 percent of the problem.

Why didn't you come up with the CRS and adjust it per farm?

Mr. SKEES. Well, the thing that motivated this work in the first place was recognition that a lot of the problems that are out there are created because individual farmers can adversely select and also change their behavior after they purchase crop insurance, so what we have in place here is a product that gets away from that—those two dimensions of problems. The fact that the individual grower has every incentive to continue to produce when things are going bad in the county, I think, is one of the attractive features of the pilot. What you have to——

Mr. SMITH. Well, assume there is no two identical farms, for all practical purposes, but from production standpoint they have the same CSR rating, side by side. One of them has a yield that is 30 percent higher than the other one.

Mr. SKEES. Yes, sir.

Mr. SMITH. So one is in the program and the other guy stays out. You have gotten away from that as a beginning, if you use your county yield as a beginning point, but you still have to adjust between these two farms and two down the road that have half the CSR.

Mr. SKEES. Each individual grower is allowed to purchase it up to 150 percent of what that county yield is, so keep that in mind, that the individual grower, you know, and the work we have done with

growers to help them understand how to manage this and use it as a risk management tool——

Mr. SMITH. But if a producer is in a low risk situation he doesn't want to purchase 150 percent when the premium is too high for his risk anyway. He doesn't want to purchase 100 percent.

Mr. SKEES. The thing you have to keep in mind is that the premium is rated in a way that for every dollar that he pays in, regardless of what level of protection he purchases, he is going to get a dollar back. It is a different product. It takes a lot of different thinking to really understand how this product works.

Mr. SMITH. Why didn't you crank in the CSR on farm performing basis?

Mr. SKEES. Again, it is because of trying to get away from the individual problems that happen whenever you offer individual policies like that.

Mr. SMITH. I just think your program is destined to fail from the very beginning.

Mr. SKEES. There are some things that have to be put with this program to make it successful, you are exactly right. I have the same concerns you do.

Mr. SMITH. You are going to end up with the lowest risk people out of the program, and then you are also going to have the banker's problem. The bankers have driven people into the program in the last two years, but to a large extent they are the highest risk people, and I don't know that you gained anything by that. You get the highest risk people into the program instead of the lowest risk people. You have got to design a program where you get low risk people wanting to buy insurance.

Mr. SKEES. I am convinced this program will be attractive to low risk growers. We have a little anecdotal evidence from the pilot. We have one agent in western Kentucky early on that sold 20 contracts of this, and 17 of those people had never purchased crop insurance before, and they controlled acreages around the county.

Mr. SMITH. How do you know they aren't the highest risk people in the county?

Mr. SKEES. Well, that is yet to be determined. That is why we are not doing this all over the country.

Mr. SMITH. I just think that you have not really come up with a program that is viable for a pilot program when it would be so easy, to incorporate crop suitability ratings with the use of computers. All you have to do is put it in once and you have it there for years to come. They have these ratings on virtually every field, let alone every farm. Now, this might not get to the problem on carrots or something like that, that is a whole different deal, but at least on the basic crops that we are trying to insure, you could have a program that would be fair. A few years ago, I asked for the records of those counties where their pay out exceeded the premiums by more than 40 percent.

To my surprise there were nine in Iowa. It was a list that thick. And so there is obviously something wrong with the program when that was the case. We were paying out not just for the cost of operating the program to reduce risks to offset maybe disaster assistance, but we are paying a lot of people for a risk that we shouldn't

be paying for. I think you ought to change your pilot program right now, and don't waste two years on that program.

Mr. DURBIN. Thank you very much, Mr. Smith. I want to thank the panel for joining us. Obviously this program is going to be the subject of a lot more consideration by the subcommittee. I will make it clear that we are going to invite the insurance industry to come along and testify. They usually come in during the public testimony period. We are going to make a specific invitation this year so they can have a chance to tell their side of the story before we have final mark-up on this appropriation bill. Thank you very much for joining us. I appreciate your testimony.

TIM B. WITT

Tim B. Witt is the Assistant Manager for Research and Development with the United States Department of Agriculture, Federal Crop Insurance Corporation (FCIC). As the Assistant Manager he is responsible for research of new crop programs and plans of insurance, development and implementation of Corporate policies, programs, field evaluations, regulations, actuarial structures and underwriting standards in implementing Multiple peril crop insurance risk management strategies.

From 1980 until 1985 Mr. Witt worked in the FCIC's Kansas City National Office where he held various insurance administrative positions including several assignments pertinent to the implementation of the reinsurance program within the Mulitple peril crop insurance program. During this time Mr. Witt served as an FCIC representative to industry trade association committees who were concerned with the design and development of the Multiple peril crop insurance program reinsured by FCIC.

In 1985 Mr. Witt transferred to the FCIC's Washington, D.C. Headquarters Office where he assumed the responsibility for the design and implemenation of a regulatory and oversight program for Multiple peril crop insurance.

From 1990 through 1992 Mr. Witt was reassigned to lead the Program Administration and Insurance Services function of the FCIC with responsibility for administering and implementing program policies, procedures and standards by which FCIC delivered a $1 billion crop insurance program to farmers through primary use of the private sector.

Born in El Paso, Texas but raised in southeast Nebraska, Mr. Witt attended one year of college at the University of Nebraska, Lincoln, where he subsequently returned home in 1976 to active farming and beginning employment with the FCIC.

Mr. Witt lives with his wife Rita and son Erik in Overland Park, Kansas.

KATHLEEN CONNELLY

Kathleen Connelly is the Assistant Manager for Administration with the Department of Agriculture (USDA), Federal Crop Insurance Corporation (FCIC). Ms. Connelly joined FCIC in 1991. In this capacity, Ms. Connelly has the responsibility for overseeing several FCIC Divisions: The Office of Personnel, Office of the Comptroller, Management Support Division, and Information Resources Management Division. These Divisions provide all the administrative support for FCIC at Headquarters and in the field, including the financial audits of the reinsured companies and disbursement of administrative payments to the sales and service contractors, loss adjuster contractors, and reinsured companies.

Before coming to FCIC, she served as the Deputy Director of Personnel for USDA, and has served 4 years in the Department.

Ms. Connelly served as the Director of Compensation for the Department of Navy prior to her work at USDA, and was responsible for all policy pertaining to direct and indirect compensation for civilian employees.

Her assignment at the Department of Navy was preceded by several positions. She served in the Office of Personnel Management (OPM) as Chief of the Research and Demonstration Staff for several years.

Previous to this assignment, Ms. Connelly managed the evaluation of the Navy Demonstration Project, and a collection of task forces to develop and draft statute and pursuant regulations. As the agency officer for all the economics and Government agencies, she developed policies and procedures for each of the 90 agencies to implement various systems in compensation and related subjects.

BIOGRAPHY OF DR. JERRY SKEES

JERRY SKEES is a professor and the Director of Graduate Studies in the Department of Agricultural Economics at the University of Kentucky. Since receiving his Ph.D. from Michigan State University in 1981, he has published more than fifty articles in the area of agricultural policy and rural development.

In 1989, he served as research director for the Commission for the Improvement of the Federal Crop Insurance Program and as a visiting scholar at the Economic Research Service of USDA. Skees was the only non-USDA employee to serve on Secretary of Agriculture Clayton Yuetter's task force on disaster assistance for the 1990 Farm Bill.

Skees has been active in working with farmers, agribusiness leaders, and state and national policymakers. Since his return to the University, he has continued to work on risk management programs, providing analysis to the USDA, the Senate Agriculture Committee, and the President's Council of Economic Advisers.

Skees has a number of on-going projects with the USDA, including development of the 1993 pilot test of the Soybean Group Risk Plan.

FEDERAL CROP INSURANCE CORPORATION

Statement of Tim B. Witt, Acting Manager

before the Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies.

Thank you for this opportunity to appear before the Subcommittee to discuss the fiscal year 1994 budget for the Federal Crop Insurance Corporation (FCIC). Stabilizing rural communities through an actuarially sound system of crop insurance has been an important public policy of the United States for over half a century. When weather perils cause loss of production, the crop insurance indemnities provide insured persons with income for payment of loans and other operating costs of the farm, as well as family living expenses.

Agriculture is a risky business as the weather of the 1980's has reminded us. Events of that decade have left farmers, lenders, and the Federal government more aware of the need to consciously manage risk. In addition to the vagaries of Mother Nature, national and international events are making farming in the 1990s more uncertain than at any time since the Great Depression.

The ability to react to the changing risk environment of the 1990's, to manage risk, will determine which farmers most likely survive and prosper in the 21st century. The Federal budget situation makes it even more likely that the survivors will be those who choose to positively manage their risks. Risk management tools like crop insurance are tailor-made for the new risk environment.

Organization, Size and Location, and Field Structure

FCIC is a Government chartered corporation established under the authority of the Federal Crop Insurance Act, as amended. It is statutorily limited to 760 permanent full time employees. Authorized staffing is not to exceed 865 full time equivalent positions. Over 90 percent of the total premiums are written by commercial insurance companies who operate under a financial arrangement called the Standard Reinsurance Agreement (SRA). These companies sell crop insurance, adjust losses, guarantee payment of the premiums to the Government, and share in any gains or losses on a state-by-state basis. Most of the remainder of the premiums are written by contractors under the Sales and Service Contract (SSC). These contractors are responsible only for the sale of the crop insurance and collection of the acreage report from the insured person. Losses on sales by the SSC's are adjusted by independent contractors hired by FCIC.

Operating expenses of both the commercial insurers and the sales and service contractors are reimbursed by FCIC, as authorized by the Act. The premium costs of insured persons are subsidized under the terms of the Act.

FCIC is headquartered in Washington, DC. This office provides overall policy, program, and general management leadership for establishing and administering the insurance and reinsurance policies for the farmer and the industry. These services are provided in support of the overall program as it is delivered through the various field offices to our delivery system partners.

The Kansas City, Missouri, office provides operational and processing support to the administrative and program functions for direct insurance business and the reinsurance program. This includes analyzing productivity and risk in the determination of premium rates; analyzing changes in terms of crop insurance contracts; exploring expansion of program coverage; developing and maintaining underwriting standards to ensure uniform application of underwriting procedures; and collecting all crop and accounting data needed for policy determinations, underwriting decisions and financial management.

Six Compliance Field Offices provide assurance by conducting recurring and unannounced random reviews and audits to assure that mandates, policies, and procedures are effective and are followed by persons involved in delivering crop insurance. This ensures fair and equitable treatment of the farmer, the taxpayer, and the Corporation.

Ten Regional Service Offices formulate and recommend policies specific to the needs of the region for which each is responsible. They provide customer service, problem

identification, resolution and/or referral, as well as assistance to delivery system partners regarding program issues related to underwriting and claims administration. Four Direct Services Offices oversee loss adjustment and process claims for the direct sales through the SSC's. Associated with these are 54 small Area Claims Offices which generally are co-located with ASCS offices to provide easy access for farmers. The Area Claims Offices contract with loss adjusters and assign these persons to work specific claims.

Goal and Initiatives

FCIC has aggressively pursued several initiatives to improve actuarial soundness and contain costs within the multiple peril crop insurance (MPCI) program. FCIC has steadily followed direction provided by the 1990 Farm Act to increase the share of risk to private insurance companies. In addition, it has gradually reduced the administrative expense reimbursements. Since 1991, administrative cost savings of approximately $14 million per year have been realized. Efforts to reduce the administrative costs associated with delivery of crop insurance are ongoing. FCIC currently is working with the private insurance industry to review reimbursement issues under its agreements and contracts. The effort will:

- determine the approximate cost of required activities to effectively deliver the crop insurance product;
- identify currently required activities that may be prudently eliminated; and
- identify activities which can be accomplished more efficiently.

Congress directed FCIC in the 1990 Farm Act to increase the amount of risk borne by the private insurance industry. FCIC has continually increased the risk to the private sector in each year's reinsurance agreement since passage of the Farm Act. The amount of potential underwriting loss that private insurance companies will absorb in loss years is much greater today. For example, in 1988, commercial insurers absorbed losses of approximately $8 million. Had the 1992 reinsurance agreement been in effect during that year, FCIC estimates the losses to the private insurance industry would have been $41 million. FCIC has continued this trend in subsequent reinsurance agreements to assure meaningful industry participation in years of loss. Under the reinsurance agreement in place for fiscal year 1994, FCIC estimates underwriting losses for the 1988 crop year would have been approximately $58 million.

These comparisons are based on the actual amount of business that was written each year. In 1987 and 1988, the business was about one-half of today's current premium levels. At the current premium level of approximately $750 million, the industry's potential underwriting losses in a year such as 1988 likely would exceed $100 million under the 1994 reinsurance agreement. Due to transferring a greater share of risk to private insurance companies, the average underwriting gains have been reduced. If the new reinsurance agreements had been in effect during 1987-1991, FCIC estimates that total underwriting gains retained by the participating insurance companies would have been reduced by nearly $50 million (38 percent).

The systematic adjustment of rates and coverages by FCIC is producing additional cost savings for the Federal government by reducing crop losses and placing the MPCI program on a more financially sound basis. These annual adjustments were initiated beginning with the 1991 crop year as a result of the 1990 Farm Act and have begun to stabilize the financial performance of the crop insurance program. Annual rate increases are limited by law to no more than 20 percent. Thus, although premium rates will be fully adequate in many areas in fiscal year 1994, some areas may still have less than adequate premium rates. FCIC intends to continue increases as needed. However, despite the systematic rate adjustments where necessary, participation levels have held relatively constant.

In addition, FCIC continues to expand the Nonstandard Classification System (NCS) to identifying and adjusting the rates and coverages of high risk farming operations that consistently receive indemnities well in excess of premiums. The continued use of the NCS system reduces the pressure for across-the-board rate increases to accommodate the loss histories of a small percentage of insured farmers. While intelligent rate adjustments are critical to a properly functioning crop insurance program, other factors like policy terms and conditions, marketing, and claims services all contribute to the actuarial stability of the crop insurance.

Provide Insurance Products that Meet the Specific Needs of Farmers and the Changing conditions of the New Risk Environment

To better meet soybean farmers' needs and reduce excess soybean losses, FCIC created a new soybean insurance plan that will be pilot tested for 2 years beginning in the spring of 1993. This alternative is called the Group Risk Plan or GRP. Under this plan farmers are paid based on the area yield - not their individual yield. Under this new program, farmers receive a payment any time the county yield drops below a trigger yield that the individual farmer chooses.

In research that compared the current GRP design with the current MPCI program, over 60 percent of nearly 3,000 farms surveyed would have received improved risk protection from GRP during the 1980's. Early feedback indicates farmers who have never purchased crop insurance are finding GRP an attractive risk management product. Also, farmers concerned about widespread catastrophic risk also are attracted to GRP. It is relatively inexpensive and can provide protection against events such as drought and hurricanes.

GRP should be considerably less costly to administer because there is no need for farm-level loss assessments, and compliance needs are greatly reduced. Excess losses should be reduced because the actions of a single farmer cannot create a loss. In the 96 counties where GRP is being tested on soybeans, losses exceeded premiums by $170 million during the 1980's. Had this same acreage been insured under GRP at the

maximum levels, losses would have been less than $10 million over the same time period. Over a longer period of time, GRP would eliminate such losses. GRP is not a total risk management tool for individuals. It is most useful for farmers whose yields very closely correspond to the county's yield. The GRP, coupled with well designed commercial products, may provide a more complete risk management product for individual farmers.

For crop year 1993, FCIC has offered producers another new insurance alternative. All producers may now purchase a 35 percent coverage level under the existing MPCI program. This provides an extremely low cost alternative for those farmers who want protection against the most catastrophic of losses. The premium for this coverage level is about 16 percent as expensive as the premium amount for the 75 percent coverage level.

Increase Participation and Program Growth

FCIC has encouraged producer acceptance through a marketing initiative designed to educate and inform farmers and taxpayers of the value of crop insurance. These efforts include an improved Guide to Crop Insurance, national and local print and radio media directed at particular groups, more contact and input with farming associations, and publishing an agent directory in each ASCS county office. In addition, FCIC has developed a unique Crop Value Assessment (CVA) database with accompanying reports that measure all crop dollar values on a national, state and county basis. The CVA

evaluates how well current programs serve the insurance needs of individual counties, identifies where to expand current crop programs, identifies the need for new crop programs and assists in identifying crop programs that do not make significant contributions to a county's economy and can be evaluated for possible termination.

Build a Solid Program Infrastructure

During 1991 and 1992, FCIC recognized the shift in direct business volume to that of a risk sharing environment by beginning plans to strategically downsize its direct delivery operations and realign its personnel and resources to better enhance its regulatory and oversight role. As FCIC reduces its field office structure, employees are being retrained and educated to assist in critical areas of the organization such as staffing compliance offices, performing underwriting, claims and marketing specialist duties in field offices and in providing better data processing services to enhance customer relations with farmers, taxpayers and companies.

FCIC has continued to strengthen its oversight of program delivery by increasing random, routine performance audits of reinsured companies and sales and service contractors. This includes claims reinspection, policy servicing, program administration, underwriting, financial and quality control reviews. FCIC initiates actions to recover funds from companies that may have been overpaid as a result of non-compliance with policies and regulations. Through these efforts the overpayment error rate has declined from 16 percent during the mid- to late 1980's and dropped to 4 percent during the early

1990's. This reduction in the error rate is directly attributable to FCIC's increased emphasis in performing systematic routine random policy reviews of company service and loss adjustment activities.

Summary

In closing, I appreciate the opportunity to discuss and outline the many positive initiatives FCIC is implementing to improve the crop insurance program. With the assistance of the Farm Act of 1990, we believe crop insurance will continue to be an increasingly valuable risk management option for the new risk environment of the 1990's. Mr. Chairman, this concludes my testimony. I will be happy to answer any questions.

FEDERAL CROP INSURANCE CORPORATION
Purpose Statement

The Federal Crop Insurance Corporation (FCIC) is a wholly-owned Government Corporation created February 16, 1938 (7 U.S.C. 1501). The program was amended by Public Law 96-365, dated September 26, 1980, to provide for nationwide expansion of a comprehensive crop insurance program. The purpose of FCIC is to promote the national welfare by improving the economic stability of agriculture through a secure system of crop insurance.

The Federal Crop Insurance Corporation is charged with providing an actuarially sound, cost-sharing insurance program for agricultural producers to protect against production losses due to unavoidable causes. The crop insurance program constitutes a joint effort between the Government and the private insurance industry, including reinsured companies and sales and service contractors.

Major Activities

The Federal Crop Insurance Program comprises the following major activities:

(1) Research and Development consists of four divisions which are responsible for the review and analysis of crop insurance programs and the establishment and maintenance of rates and coverages for crops in each county. This activity also includes the evaluation of current crop programs and policies and the development of strategies for increasing participation in the crop insurance program. (2) Reinsured Companies are private insurance companies reinsured by FCIC that market and provide full service (including loss adjustment and claims processing) on crop insurance policies and bear increasing risk on such policies. (3) Agency Sales and Service Contractors and Loss Adjustment Contractors are private companies which contract with FCIC to sell and service FCIC crop insurance policies, but do not assume any risk. This activity also includes contracting with independent claims adjusters who perform loss adjustment services for insureds holding FCIC policies sold by Sales and Service Contractors. This activity also includes all FCIC efforts directed toward development of claims adjustment procedures and quality control on the independent claims adjusters. (4) Insurance Services consists of the generation and administration of reinsurance agreements and agency sales and service contracts. This activity includes all phases of program administration, including directing Regional Service Offices and Direct Processing Centers through out the country which provide services for all program participants. (5) Program Management and Administrative Support, includes the Board of Directors, the Manager's Office, staff offices reporting directly to the Manager's Office, as well as personnel management, finance and accounting, support services, information resources management, and internal controls. Additionally, the compliance function is included in this program, providing oversight and quality control of reinsured and FCIC program service operations.

General Administration

The various crop insurance programs are formulated, implemented, and monitored by the FCIC headquarters office located in Washington, D.C., and its national operations office located in Kansas City, Missouri. The program is administered in the field through 10 Regional Service Offices, 4 Direct Service Offices, 6 Compliance Offices, and a number of Area Claim Offices. Policy sales and servicing at the local level is performed primarily by private sector agents, operating for agents of reinsured companies and Federal contractors (under Agency Sales and Service Contracts). The adjustment of losses is performed by reinsured companies for their policies and by independent loss adjusters under contract with FCIC for policies sold under Agency Sales and Service Contracts. ASCS provides some sales and service support on a reimbursable basis for the Corporation in areas where agents are not readily available.

The Agency Sales and Service Contractors process and electronically transmit to the USDA Kansas City Computer Center, all data from Federally-insured policies except

claims. The FCIC Kansas City office assists in the processing of all insurance documents (except those of the reinsured companies), record detailed accounting and statistical data, and prepares the required accounting, statistical, and management reports for business from all sources. This function is essentially automated.

The Reinsured Companies process the insurance documents, bill and collect premium, and pay losses according to stipulations within the insurance policy and the reinsurance agreement with FCIC. The companies electronically transmit to the USDA's Kansas City Computer Center, at least monthly, all data required under the reinsurance agreement in order to receive their contracted reimbursements. The FCIC Actuarial and Comptroller's Kansas City, Missouri offices assists in the processing of all insurance data, record detailed accounting and statistical data, and prepares the required accounting, statistical, and management reports for business from all sources. This function is essentially automated.

As of September 30, 1992, there were 836 total employees with 686 permanent full-time and 150 other employees. Of the total employees, 127 permanent full-time and 13 other were located in the Washington, D.C., offices.

A summary of changes in capital for fiscal year 1992, and estimates for fiscal years 1993 and 1994, follows:

	F.Y. 1992 Actual	F.Y. 1993 Estimated	F.Y. 1994 Estimated
NET CAPITAL, BEGINNING OF YEAR..	$483,944,000	$498,527,381	$501,762,240
Additions to Capital:			
Appropriation (Prem. Subsidy).......	221,500,000	227,026,000	200,665,334
CCC Transfer............................	338,000,000	150,000,000	370,073,000
Appropriation (A&O Exp. Reim.)....	39,000,000	58,768,000	47,071,666
Subtotal..............................	1,082,444,000	934,321,381	1,119,572,240
Income:			
Producer Premium:			
Government................................	52,216,425	43,570,922	38,831,063
Reinsurance...............................	474,718,575	489,181,609	0
ASCS.......................................	0	14,100,622	0
MPCI (Std/Modif) GRP 1/.............	0	0	468,389,918
Total Income..........................	526,935,000	546,853,153	507,220,981
Expenses:			
Government Indemnities...............	100,487,000	66,476,519	62,310,786
Reinsurance Indemnities................	999,742,000	841,533,625	0
ASCS Indemnities........................	0	24,330,484	0
MPCI (Std/Modif) GRP 1/.............	0	0	718,117,189
Total Indemnities....................	1,100,229,000	932,340,628	780,427,975
A&O Expenses Paid by the Fund....	10,622,619	47,071,666	35,500,000
Total Expenses.......................	1,110,851,619	979,412,294	815,927,975
Net Income or Loss(-)......................	(583,916,619)	(432,559,141)	(308,706,994)
NET CAPITAL, END OF YEAR...........	$498,527,381	$501,762,240	$810,865,246
Analysis of Capital:			
Capital Stock..................................	$500,000,000	$500,000,000	$500,000,000
Treasury Borrowing..........................	113,000,000	113,000,000	113,000,000
CCC Transfers................................	3,088,000,000	3,238,000,000	3,608,073,000
Paid in surplus.................................	39,978,470	39,978,470	39,978,470
Appropriation (premium subsidy)........	1,554,178,000	1,781,204,000	1,981,869,334
Appropriation (reimbursement of A&O expenses)..........................	237,771,000	296,539,000	343,610,666
Cumulative Surplus or Deficit(-)..........	(5,034,400,089)	(5,466,959,230)	(5,775,666,224)
NET CAPITAL, END OF YEAR.........	$498,527,381	$501,762,240	$810,865,246

1/ Multi-Peril Crop Insurance (Standard and Modified) and Area Yield Plan (GRP)

FEDERAL CROP INSURANCE CORPORATION

Available Funds and Staff-Years
1992 Actual and Estimated 1993 and 1994

	1992 Actual		1993 Estimated		1994 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
ADMINISTRATIVE AND OPERATING EXPENSES:						
A&O Appropriation	$332,667,347	826	$309,948,000	865	$204,847,000	845
FCIC FUND:						
Premium Subsidy	221,500,000	---	227,026,000	---	200,665,334	---
Restoration of Prior Year A&O Expenses (Paid by Fund)	39,000,000	---	58,768,000	---	47,071,666	---
TOTAL, FCIC FUND	260,500,000	---	285,794,000	---	247,737,000	---
TOTAL FCIC APPROPRIATION	593,167,347	826	595,742,000	865	452,584,000	845
CCC Transfers	338,000,000	---	150,000,000	---	370,073,000	---
TOTAL, FCIC AVAILABLE FUNDS	$921,167,347	826	$745,742,000	865	$822,657,000	845

FEDERAL CROP INSURANCE CORPORATION
Permanent Full-Time Positions by Grade and Staff-Year Summary
1992 and Estimated 1993 and 1994

	1992			1993			1994		
GRADE	HEADQUARTERS	FIELD	TOTAL	HEADQUARTERS	FIELD	TOTAL	HEADQUARTERS	FIELD	TOTAL
ES-6	1	0	1	1	0	1	1	0	1
ES-4	1	0	1	1	0	1	1	0	1
ES-3	1	0	1	1	0	1	1	0	1
ES-1	1	0	1	3	0	3	3	0	3
GS/GM-16	0	0	0	0	2	2	0	2	2
GS/GM-15	9	5	14	9	5	14	9	5	14
GS/GM-14	17	15	32	17	15	32	15	15	30
GS/GM-13	49	52	101	51	53	104	49	51	100
GS-12	55	196	251	52	198	250	50	192	242
GS-11	14	112	126	14	110	124	14	106	120
GS-10	0	1	1	0	1	1	0	1	1
GS-9	9	7	16	9	12	21	9	11	20
GS-8	10	3	13	10	3	13	10	3	13
GS-7	22	20	42	22	20	42	22	20	42
GS-6	10	7	17	10	7	17	10	7	17
GS-5	17	34	51	17	29	46	16	29	45
GS-4	8	9	17	8	9	17	8	9	17
GS-3	1	0	1	1	0	1	1	0	1
GS-2	0	0	0	0	0	0	0	0	0
Total Perm. Pos. a/	225	461	686	226	464	690	219	451	670
Total Staff-Years: Ceiling...............	276	550	826	285	580	865	278	567	845

HEADQUARTERS: Includes D.C. Headquarters Personnel and branches located in Kansas City, MO. that report to Washington, D.C. Divisions.
FIELD: Includes Direct Service Offices, Regional Service Offices, Compliance Field Offices, and offices under the Ass't Manager for Research and Developme located in Kansas City, MO.

a/ The Federal Crop Insurance Act of 1980, as amended, restricts the Corporation from employing more than 760 permanent full-time employees.

FEDERAL CROP INSURANCE CORPORATION
Classification by Objects
1992 and Estimated 1993 and 1994

ADMINISTRATIVE AND OPERATING EXPENSES:	1992	1993	1994
Personnel Compensation:			
Headquarters a/	$10,978,058	$12,441,764	$12,834,355
Field	20,317,524	23,106,134	23,835,231
11 Total Personnel Compensation	31,295,582	35,547,898	36,669,586
12 Personnel Benefits	8,963,693	8,038,270	8,425,110
13 Benefits for Former Personnel	78,687	169,716	71,919
Total Personnel Compensation and Benefits	40,337,962	43,755,884	45,166,615
Other Object Classes:			
21 Travel	1,728,447	2,680,645	2,371,732
22 Transportation of Things	2,356,515	794,676	647,084
23 Communications, Utilities, and Other Rent	2,943,166	4,495,362	2,889,381
24 Printing and Reproduction	470,945	624,397	547,849
25 Other Services	4,679,327	6,690,983	4,025,524
25 Other Contracts b/	8,171,790	12,630,000	9,225,000
25 Extension Services	249,598	250,000	255,000
25 ASCS Agreement	5,215,000	6,206,000	6,374,000
25 Reinsurance Admin. Expenses	242,975,000	208,325,017	128,318,000
25 ASCS Sales Overhead	0	5,530,000	0
25 Sales & Service Contract Expenses	10,464,081	2,817,000	1,529,000
25 Loss Adjustment Contracting	0	0	0
26 Supplies and Materials	963,221	3,618,687	1,247,537
31 Equipment	2,084,170	11,529,349	2,250,278
32 Land and Structures	25,000	0	0
42 Insurance Claims/Indemnities	2,310	0	0
43 Interest and Dividends	815	0	0
Total, Other Object Classes	282,329,385	266,192,116	159,680,385
TOTAL, DIRECT A&O OBLIGATIONS	$322,667,347	$309,948,000	$204,847,000
FCIC FUND:			
25 A&O Expenses Paid from Fund	10,622,619	47,071,666	35,500,000
42 Indemnities:			
Government	100,487,000	66,476,519	62,310,786
Reinsurance	999,742,000	841,533,625	0
ASCS	0	24,330,484	0
MPCI (Std/Modif) GRP 1/	0	0	718,117,189
Total Indemnities	1,100,229,000	932,340,628	780,427,975
92 Undistributed	0	0	0
TOTAL, DIRECT OBLIGATIONS, FCIC FUND	$1,110,851,619	$979,412,294	$815,927,975
TOTAL DIRECT OBLIGATIONS, FCIC	$1,433,518,966	$1,289,360,294	$1,020,774,975
Position Data:			
Average Salary, SES Positions	$101,707	$99,231	$102,450
Average Salary, GS/GM Positions	$37,493	$40,690	$43,584
Average Grade, GS/GM Positions	10.7	10.8	10.8

a/ Headquarters includes all Washington, D.C. employees and Kansas City, MO employees in Support Services, Personnel, Finance, and IRMD branches.

b/ Includes ADP, Internal Management Studies, Advertising, National Finance Center, and FTS-2000.

1/ Multi-Peril Crop Insurance (Standard and Modified) and Area Yield Plan (GRP)

FEDERAL CROP INSURANCE CORPORATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Administrative and Operating Expenses:

For administrative and operating expenses, as authorized by the Federal Crop Insurance Act, as amended (7 U.S.C. 1516) [$309,948,000] $204,847,000: Provided that not to exceed $700 shall be available for official reception and representation expenses, as authorized by 7 U.S.C. 1506(i), and provided, that notwithstanding any provision of law, beginning with the 1994 crop year the Corporation may offer a plan of crop insurance based upon an area yield concept under which an insured would qualify for an indemnity if a loss occurred over an area, rather than on an individual insured basis, and allowing an individual insured to select the level of production at which an indemnity will be paid within the parameters established by the Corporation.

The change supports a phase-in of an area yield concept in more areas and crops, beginning with the 1994 crop year. To provide for a transition from the current insurance program to the new initiative, alternative plans of insurance will be offered. These alternative insurance plans will be adjusted over the five-year transition period so that most crops and counties will be under a county are yield plan by 1998.

FEDERAL CROP INSURANCE CORPORATION

Administrative and Operating Expenses

APPROPRIATION ACT, 1993	$309,948,000
BUDGET REQUEST, 1994	204,847,000
DECREASE IN APPROPRIATION	-105,101,000

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

ITEM OF CHANGE:	1993 Estimated	Pay Cost	Other Changes	1994 Estimated
1. Research and Development	$10,113,000	+$158,000	+$777,000	$11,048,000
2. Reinsured Companies	208,325,017	0	-80,007,017	128,318,000
3. Agency Sales & Service Contracts and Loss Adjustment	8,346,983	0	-6,817,983	1,529,000
4. Insurance Services	35,914,000	+444,000	+3,246,000	39,604,000
5. Program Management and Administrative Supp.	47,249,000	+384,000	-23,285,000	24,348,000
Total Appropriation	a/ 309,948,000	+986,000	-106,087,000	b/ 204,847,000

a/ Does not include $47,071,666 of administrative and operating expenses paid out of the FCIC Fund.

b/ Does not include $35,500,000 of administrative and operating expenses paid out of the FCIC Fund.

PROJECT STATEMENT
Administrative and Operating Expenses
(on basis of appropriation)

	1992 Actual Amount	SY	1993 (Est.) Amount	SY	Increase(+): Decrease(-)	1994 (Est.) Amount	SY
1.Research and Development.	$9,944,513	106	$10,113,000	115	(1) +$935,000	$11,048,000	115
2.Reinsured Companies....	242,975,000	0	208,325,017	0	(2) -80,007,017	128,318,000	0
3.Agency Sales and Service. Contracts and Loss Adjust.	10,464,081	0	8,346,983	0	(3) -6,817,983	1,529,000	0
4.Insurance Services....	30,781,966	416	35,914,000	435	(4) +3,690,000	39,604,000	415
5.Program Mgmt ment & Admin Support.....	28,501,787	304	47,249,000	315	(5) -22,901,000	24,348,000	315
Unobligated Balance Available.....	202,653	--	0	0	0		0
Total Appropriation	322,870,000	826	309,948,000	865	-105,101,000	204,847,000	845

PROJECT STATEMENT
Administrative and Operating Expenses
(on basis of available funds)

	1992 Actual Amount	SY	1993 (Est.) Amount	SY	Increase(+) Decrease(-)	1994 (Est.) Amount	SY
1.Research and Development	$9,944,513	106	$10,113,000	115	$935,000	$11,048,000	115
2.Reinsured Companies	246,363,000	0	243,634,342	0	-90,099,342	153,535,000	0
3.Agency Sales and Service Contrac. and Loss Adjust.	17,698,734	0	20,109,324	0	-8,297,324	11,812,000	0
4.Insurance Services..	30,781,966	416	35,914,000	435	+3,690,000	39,604,000	415
5.Prog. Management & Admintrative Supp	28,501,787	304	47,249,000	315	-22,901,000	24,348,000	315
Total Available or Estimate..	333,290,000	826	357,019,666	865	-116,672,666	240,347,000	845
Paid from Fund	-10,622,653	--	-47,071,666	--	-11,571,666	-35,500,000	--
Total Appropriation	322,667,347	826	309,948,000	865	-105,101,000	204,847,000	845

<u>OIG REPORTS</u>:

During Fiscal Year 1992, the Office of Inspector General (OIG) issued four major program audits and twelve individual policy audit. The following audits were reported in OIG's Semi-Annual Report to Congress as unresolved within the appropriate timeframe:

05099-11 AT	RE:	Reinsurance Operations - Mississippi.
05099-15-CH	RE:	Hybrid Seed Crop Insurance.
05099-32-TE	RE:	Claims Adjusted By Crop Hail Management for Indemnities By producers Who Received Large Payments From ASCS.
05099-39-FM	RE:	Cash management practices with reinsured companies - Phase II.
05099-51-TE	RE:	Compliance Review Program.
05600-1-TE	RE:	FCIC 1988 Crop Insurance Contracts with Claims

<u>GAO REPORTS</u>:

During Fiscal Year 1992, the General Accounting Office (GAO) issued two final reports, which were addressed to the Department. Federal Crop Insurance Corporation has responded to all reports and is resolving any issued recommendations. The report titles are as follows:

PMED-92-4	RE:	Crop insurance inaccurate FCIC price forecasts increase Program Risks.
RCED-92-25	RE:	Program has not fostered significant risk sharing by insurance companies.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $935,000 for Research and Development, consisting of:

(a) An increase of $158,000 which reflects the annualization of the fiscal year 1993 pay raise.

(b) An increase of $777,000 which reflects a 2.7 percent increase in non-salary costs.

Need for Change. These funds are necessary to offset increased operating costs. Continued absorption of these increased operating costs will severely affect the quality and quantity of our programs.

Nature of Change. This increase will be used to maintain a current level of services associated with inflation which will affect the critical parts of the program.

(2) A decrease of $80,007,017 for Reinsured Companies, consisting of:

Need for Change. Currently, FCIC is reimbursing reinsured companies for the cost of program delivery at a rate of about 32.5% of total premium. The FCIC Act requires that the expense reimbursement be set at the amount it costs the Corporation to deliver its policies without regard to the amount actually necessary for the reinsurance companies to deliver the program.

Nature of Change. The proposal would also allow the FCIC to set the expense reimbursement to reinsurance companies at an amount determined by FCIC to be adequate to deliver the program.

(3) A decrease of $6,817,983 for Agency Sales and Service Contracts and Loss Adjustments, consisting of:

Need for Change. To represent the decline in business sold through the direct delivery system.

Nature of Change. Based on prior year experience, the direct business has steadily declined and policies sold through reinsured companies has increased. Under the proposed Area-Yield plan, it is anticipated that this trend will continue with phasing out in fiscal year 1994. FCIC does not plan to enter into agreements for fiscal year 1995.

(4) An increase of $3,690,000 for Insurance Services, consisting of:

(a) An increase of $444,000 which reflects the annualization of the fiscal year 1993 pay raise.

(b) An increase of $3,646,000 which reflects a 2.7 percent increase in non-salary costs.

Need for Change. These funds are necessary to offset increased operatingcosts. Continued absorption of these increased operating costs will severely affect the quality and quantity of our programs.

Nature of Change. This increase will be used to maintain a current level of services associated with inflation which will affect the critical parts of the program.

JUSTIFICATION OF INCREASES AND DECREASES

(c) A decrease of $400,000 and 20 FTE Staff Years.

Need for Change. FCIC, in implementing the President's Executive Order, will reduce the FTE employment in FY 1994 from the base of 865 FTE Staff Years by 2.5 percent or 20 FTE Staff Years.

Nature of Change. FCIC is decreasing costs in the field offices and headquarters by $400,000 and 20 FTE Staff Years, resulting from the revision of Insurance Services program delivery activities adapted to the new organizational structure.

(5) A decrease of $22,901,000 for Program Management and Administrative Support, consisting of:

(a) An increase of $384,000 which reflects the annualization of the fiscal year 1993 pay raise.

(b) An increase of $2,769,000 which reflects a 2.7 percent in non-salary costs.

Need for Change. These funds are necessary to offset increased operating costs. Continued absorption of these increased operating costs will severely affect the quality and quantity of our programs.

Nature of Change. This increase will be used to maintain a current level of services associated with inflation which will affect the critical parts of the program.

(c) A decrease of $7,846,000 which reflects a 3 percent reduction in administrative expenses from the amount made available for fiscal year 1993 adjusted for inflation.

(d) A decrease of $33,000 for FTS 2000 funding.

This decrease reflects lower long distance telecommunications prices due to price redeterminations in the FTS 2000 contracts.

(e) A decrease of $18,175,000 which reflects a reduction in administrative costs for non-recurring Office Automation costs $15,000,000 appropriated in fiscal year 1993) and a further savings of $3,175,000 attributed to other economic measures such as reducing contract costs, equipment, and other costs.

UNITED STATES DEPARTMENT OF AGRICULTURE
FEDERAL CROP INSURANCE CORPORATION
Geographic Breakdown of Obligations and Staff Years
1992 Actual and Estimated 1993 and 1994

	1992 Actual		1993 Estimated		1994 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
ALABAMA	5,481,743	0	4,421,543	0	1,451,196	0
ARIZONA	1,423,948	0	1,163,723	0	472,330	0
ARKANSAS	2,772,329	0	2,312,129	0	832,000	0
CALIFORNIA	9,587,318	32	9,127,168	34	5,443,512	34
COLORADO	2,846,605	0	2,551,355	0	981,394	0
CONNECTICUT	1,306,196	0	1,246,021	0	453,098	0
DELAWARE	1,394,424	0	1,334,224	0	461,211	0
DISTRICT OF COLUMBIA	44,375,586	167	47,082,564	178	46,102,935	178
FLORIDA	11,165,801	0	10,705,701	0	2,643,340	0
GEORGIA	3,287,080	12	3,227,080	12	2,177,820	12
HAWAII	632,596	0	572,446	0	261,298	0
IDAHO	4,170,235	0	3,609,985	0	648,050	0
ILLINOIS	6,574,161	21	5,473,911	22	2,736,955	22
INDIANA	4,780,621	15	3,720,371	15	1,518,418	15
IOWA	5,080,621	16	4,870,371	16	2,638,035	16
KANSAS	6,026,314	19	5,866,114	20	4,011,112	20
KENTUCKY	5,582,650	0	4,987,450	0	1,670,044	0
LOUISIANA	5,482,748	0	4,422,598	0	1,490,937	0
MAINE	1,304,191	0	1,243,991	0	355,945	0
MARYLAND	2,650,389	0	1,690,189	0	288,191	0
MASSACHUSETTS	1,304,191	0	1,243,991	0	355,949	0
MICHIGAN	2,782,499	0	2,722,249	0	881,212	0
MINNESOTA	11,504,782	41	11,155,692	42	6,924,664	42
MISSISSIPPI	6,574,161	22	6,513,911	24	4,071,966	24
MISSOURI	81,903,088	291	84,235,060	305	72,916,494	300
MONTANA	7,395,931	25	6,735,681	26	3,305,139	26
NEBRASKA	2,191,387	7	2,131,087	8	1,085,486	8
NEW JERSEY	1,306,196	0	1,125,946	0	331,299	0
NEW MEXICO	1,438,923	0	1,378,573	0	432,732	0
NEW YORK	4,210,980	0	4,150,705	0	888,363	0
NORTH CAROLINA	11,778,705	41	10,601,420	42	6,607,945	42
NORTH DAKOTA	3,834,927	13	3,774,652	14	2,138,580	14
NEVADA	1,306,196	0	1,245,896	0	745,896	0
OHIO	5,473,882	0	5,313,582	0	1,365,061	0
OKLAHOMA	2,191,387	7	2,031,112	7	1,609,711	7
OREGON	5,341,773	0	5,216,498	0	1,219,725	0
PENNSYLVANIA	3,561,004	11	3,305,729	11	1,804,112	11
RHODE ISLAND	1,305,191	0	1,244,891	0	758,364	0
SOUTH CAROLINA	4,382,774	13	3,822,474	14	1,676,111	14
SOUTH DAKOTA	1,478,286	0	1,317,986	0	764,116	0
TENNESSEE	4,108,851	15	4,048,551	15	2,278,642	14
TEXAS	11,504,782	38	10,354,482	39	6,402,974	28
UTAH	1,306,199	0	1,070,899	0	832,985	0
VERMONT	1,305,191	0	1,045,466	0	809,363	0
VIRGINIA	2,807,710	0	2,447,360	0	1,729,530	0
WASHINGTON	6,300,238	20	5,239,963	21	2,175,293	18
WEST VIRGINIA	1,306,196	0	1,196,196	0	898,327	0
WISCONSIN	5,500,697	0	4,390,697	0	2,251,854	0
WYOMING	1,538,320	0	1,258,320	0	947,286	0
TOTAL ADMINISTRATIVE & OPERATING EXPENSE	$322,870,000	826	$309,948,000	865	$204,847,000	845

FEDERAL CROP INSURANCE CORPORATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Federal Crop Insurance Fund:

For [payments as authorized by section 508(b) of] the Federal Crop Insurance Act, as amended, [$285,794,000] $247,737,000 of which [$58,768,000] $47,072,000 is to reimburse the Federal Crop Insurance Corporation Fund for agents' commission and loss adjustment obligations incurred during prior years, but not previously reimbursed, as authorized by section 516(a) of the Act, as amended: Provided, That notwithstanding any provision of the law, beginning with the 1994 crop year the Corporation may offer a plan of crop insurance based upon an area yield concept under which an insured would qualify for an indemnity if a loss occurred over an area, rather than on an individual insured basis, and allowing an individual insured to select the level of production at which an indemnity will be paid within parameters established by the Corporation.

The change is reflecting proposed language for FCIC to offer insurance on an area yield concept. This would be in addition to the current multi-peril crop insurance plan presently being offered to farmers.

FEDERAL CROP INSURANCE CORPORATION

Federal Crop Insurance Corporation Fund

1993 BUDGET	$285,794,000
AGENCY REQUEST, 1994	247,737,000
CHANGE IN APPROPRIATION	-$38,057,000

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

ITEM OF CHANGE:	1993 Estimated	Other Changes	1994 Estimated
1. Premium Subsidy........	$227,026,000	-$26,360,666	$200,665,334
2. Reimbursement of A&O Exp. Paid by Fund....	58,768,000	-11,696,334	47,071,666
Total Available.......	285,794,000	-38,057,000	247,737,000

PROJECT STATEMENT
(on basis of appropriation)

	1992 Actual	1993 Estimated	Increase Decrease(-)	1994 Estimated
ITEM OF CHANGE:				
1. Premium Subsidy	$221,500,000	$227,026,000	(1) -$26,360,666	$200,665,334
2. Reimbursement of Admin. & Oper. Exp. Pd. by Fund	39,000,000	58,768,000	(2) -11,696,334	47,071,666
Total Appropriation	260,500,000	285,794,000	-38,057,000	247,737,000

PROJECT STATEMENT
FEDERAL CROP INSURANCE CORPORATION
(on basis of available funds)

	1992 Actual	1993 Estimated	Change	1994 Estimated
Expenses:				
Indemnities:				
Reinsurance......	$999,742,000	$841,533,625	-$841,533,625	0
Government.......	100,487,000	66,476,519	-4,165,733	$62,310,786
ASCS.............	0	24,330,484	-24,330,484	0
MPCI (Std/Modif) GRP 1/..........	0	0	+718,117,189	718,117,189
Total Indemnities	1,100,229,000	932,340,628	-151,912,653	780,427,975
Admin. Expenses Paid from Fund...	10,622,619	47,071,666	-11,571,666	35,500,000
Total Expenses....	1,110,851,619	979,412,294	-163,484,319	815,927,975
Funds Available:				
Producer Prem....	-526,935,000	-546,853,153	+39,632,172	-507,220,981
Unobligated Bal.. Start of Year	-483,944,000	-498,527,381	-3,234,859	-501,762,240
CCC Transfers....	-338,000,000	-150,000,000	-220,073,000	-370,073,000
Unobligated Bal.. End of Year.....	498,527,381	501,762,240	309,103,006	810,865,246
TOTAL APPROPRIATION....	260,500,000	285,794,000	-38,057,000	247,737,000

1/ Multi-Peril Crop Insurance (Standard and Modified) and Area Yield Plan (GRP).

JUSTIFICATION OF INCREASES AND DECREASES

(1) A decrease of $26,360,666 for Premium Subsidy.

Need for Change. The Federal Crop Insurance Act, as amended, authorizes the Corporation to subsidize producers for as much as 30 percent of the premium.

Nature of Change. The premium subsidy is estimated at twenty-five percent (25%) of the total premium or thirty-three (33%) percent of producer premium. The premium subsidy of $200,665,334 at the rate of thirty three (33%) percent of the 1994 estimated earned producer premium of $604,378,000 is based on the accrual accounting system.

(2) A decrease of $11,696,334 for Reimbursement of A&O Expenses Paid by Fund.

Need for Change. In 1994, the FCIC Fund will pay $35.5 million in delivery costs from the Fund, as allowable under current law.

Nature of Change. A decrease of $11,696,334 represents the difference in the amount of A&O expenses paid by the FCIC Fund in 1993 and the amount paid by the FCIC Fund in 1994.

UNITED STATES DEPARTMENT OF AGRICULTURE
FEDERAL CROP INSURANCE CORPORATION
Geographic Breakdown Of Obligations And Staff-Years
1992 Actual and Estimated 1993 and 1994

	1992 Actual		1993 Estimated		1994 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
UNDISTRIBUTED *						
Federal Crop Insurance Fund:						
Reinsurance......	$999,742,000	0	$841,533,625	0	0	0
Government......	100,487,000	0	66,476,519	0	$62,310,786	0
ASCS.............	0	0	24,330,484	0	0	0
MPCI (Std/Modif) GRP 1/...........	0	0	0	0	718,117,189	0
Program Expenses Paid by Fund.....	10,622,619	0	47,071,666	0	35,500,000	0
TOTAL, FCIC FUND...	1,110,851,619	0	979,412,294	0	815,927,975	0

* Due to the inability to predict the location of sales and losses, it is impractical to estimate the State cost distribution.

1/ Multi-Peril Crop Insurance (Standard and Modified) and Area Yield Plan (GRP).

FEDERAL CROP INSURANCE CORPORATION

STATUS OF PROGRAM

The Federal Crop Insurance Corporation is a wholly-owned government Corporation which provides multi-peril crop insurance protection against unavoidable causes of loss. From 1948 through 1981, the program operated in selected counties on a limited basis. The crop insurance program was expanded nationwide, effective with crop year 1983, to nearly all counties with acreage devoted to the six ASCS disaster crops of wheat, corn, barley, grain sorghum, cotton and rice. FCIC insured 6 crops in 1948 and insured 51 crops in 1991. The number of counties in which crop insurance is offered has increased from 324 in 1948 to 3,026 in 1991.

The status of the crop insurance program is presented for both direct sales (government operations) and for sales through reinsured companies (reinsurance operations). The combined sales premium for crop year 1991 totaled $737.1 million with indemnities of $953.3 million for a combined loss ratio of 1.29.

Wheat continues to be the dominant crop in the Corporation's cumulative experience. The cumulative wheat premium of $1.5 billion is 22 percent of the total premium since 1948. Likewise, cumulative indemnities on wheat amounted to $2.2 billion or 22 percent of the total indemnities of $9.6 billion for the period 1948 through 1991. The loss ratio for wheat for the period was 1.43 as compared with 1.39 for all commodities. Corn and soybeans, with premiums of $1.6 billion and $1.2 billion, accounted for 23 percent and 17 percent of the total premium. Indemnities on these crops were $1.7 billion and $1.8 billion, for 17 percent and 18 percent of the total indemnities. Loss ratios were 1.02 and 1.50, respectively. Wheat, corn and soybeans represent nearly two-thirds of the cumulative premiums and losses recorded by FCIC since 1948.

In crop year 1991, corn generated $175.9 million in premium, 23.9 percent of crop year 1991 premium. Indemnities on corn amounted to $211.5 million or 22.2 percent of the total indemnities of $953.3 million for 1991. Wheat and soybeans, with premiums of $129.1 million and $95.3 million, accounted for 17.5 percent and 12.9 percent of the total premium. Indemnities on these crops were $183.2 million and $97.5 million, for 19.2 percent and 10.2 percent of the total indemnities. Loss ratios were 1.42 and 1.02, respectively. Wheat, corn, and soybeans represent approximately one-half of the premiums and losses recorded.

The following tables summarize combined insurance operations: (1) crop year 1991 experience by crop; (2) crop year 1991 experience by state; and (3) cumulative insurance experience for 1948-91 by crop.

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GOV'T AND REINS. OPERATIONS—SUMMARY OF 1991 CROP YEAR EXPERIENCE BY CROP
(DOLLARS IN THOUSANDS)

Crop	Policies Earning Premium	Amount of Protection	Premium	Indemnities	Prem Comp. with Indem. a/	Loss Ratio
Almond	1,859	138,665	8,433	12,692	(4,259)	1.51
Apple	1,206	50,396	5,960	8,623	(2,663)	1.45
Barley	35,661	244,791	23,251	15,408	7,843	0.66
Bean	9,008	162,047	17,657	9,066	8,591	0.51
Cherry	0	0	0	0	0	0.00
Citrus	736	38,269	2,990	13,327	(10,337)	4.46
Citrus Tree	455	9,976	484	0	484	0.00
Combined Crop	0	0	0	0	0	0.00
Corn	190,973	3,292,149	175,919	211,543	(35,624)	1.20
Cotton	30,214	802,813	89,679	179,103	(89,424)	2.00
Cotton, ELS	129	11,668	918	4,635	(3,717)	5.05
Cranberries	130	27,748	961	1,286	(325)	1.34
Fig	49	3,663	338	441	(103)	1.30
Flax	2,542	6,547	884	793	91	0.90
Forage Prod	2,994	19,796	1,372	2,581	(1,209)	1.88
Forage Seeding	998	1,823	154	447	(293)	2.90
Grain Sorghum	36,491	233,280	19,529	31,638	(12,109)	1.62
Grape	903	74,769	5,728	6,242	(514)	1.09
Grape, Table	84	12,287	899	670	229	0.75
Hybrid Seed,Corn	5,252	122,529	9,737	12,194	(2,457)	1.25
Macadamia Nut	3	1,226	13	0	13	0.00
Macadamia Tree	10	17,471	248	0	248	0.00
Nursery Stock	52	16,767	466	1,305	(839)	2.80
Oat	22,646	33,336	4,128	5,963	(1,835)	1.44
Onion	179	8,603	603	2,313	(1,710)	3.84
Pea	2,642	21,353	1,857	1,585	272	0.85
Peach	961	16,184	2,226	3,714	(1,488)	1.67
Peanut	11,909	717,103	42,071	48,979	(6,908)	1.16
Pear	25	629	52	18	34	0.35
Pepper	11	3,755	386	103	283	0.27
Plum	85	4,105	340	339	1	1.00
Popcorn	705	11,444	738	1,539	(801)	2.09
Potato	1,388	202,708	12,015	16,349	(4,334)	1.36
Prev. Plant. Endors	72	247	7	41	(34)	5.86
Prevented Planting	0	0	0	0	0	0.00
Prune	263	19,145	1,254	1,844	(590)	1.47
Raisin	2,278	114,392	11,055	0	11,055	0.00
Rice	2,686	105,135	3,678	21,324	(17,646)	5.80
Rye	165	256	31	36	(5)	1.16
Safflower	376	3,957	506	1,600	(1,094)	3.16
Sorghum, Hyb.Seed	44	2,097	396	1,158	(762)	2.92
Soybean	149,626	1,738,034	95,284	97,502	(2,218)	1.02
Stonefruit	155	10,724	776	652	124	0.84
Sugar Beet	4,057	276,277	13,413	12,618	795	0.94
Sugarcane	110	14,380	949	499	450	0.53
Sunflower	9,685	99,843	9,669	7,981	1,688	0.83
Sweet Corn	2,261	25,293	1,499	886	613	0.59
Sweet Corn, FM	38	9,269	632	225	407	0.36
Tobacco	27,934	747,899	24,182	23,554	628	0.97
Tomato	616	102,253	6,515	3,980	2,535	0.61
Tomato, Fresh	119	52,073	6,488	3,190	3,298	0.49
Tung Nut	0	0	0	0	0	0.00
Walnut	127	7,735	374	92	282	0.25
Wheat	145,090	1,568,813	129,098	183,174	(54,076)	1.42
Puerto Rico Reins	2,280	44,649	1,304	5	1,299	0.00
Grand Total	708,280	$11,270,369	$737,146	$953,257	(216,111)	1.29

a/ Excess of indemnities over premium indicated by parenthesis ( ).

GOV'T AND REINS. OPRTNS – SUMMARY OF 1991 CROP YEAR EXPERIENCE BY STATE
(DOLLARS IN THOUSANDS)

State	Policies Earning Premium	Amount of Protection	Premium	Indemnities	Prem Comp. with Indem. a/
Alabama............	4,110	$189,979	$13,344	$14,460	(1,116)
Alaska...............	0	0	0	0	0
Arizona..............	168	21,182	1,139	2,907	(1,768)
Arkansas............	4,406	96,717	8,945	26,124	(17,179)
California...........	6,733	506,243	37,094	34,682	2,412
Colorado...........	5,623	113,128	10,018	10,004	14
Connecticut.......	37	2,958	165	64	101
Delaware...........	327	5,900	445	196	249
Florida...............	1,355	152,257	12,563	10,825	1,738
Georgia..............	9,696	487,255	30,395	36,592	(6,197)
Hawaii................	13	18,697	262	0	262
Idaho..................	3,053	94,885	6,521	7,344	(823)
Illinois................	54,050	840,205	34,917	77,738	(42,821)
Indiana..............	17,910	298,904	14,184	38,307	(24,123)
Iowa..................	100,143	1,596,717	69,125	48,743	20,382
Kansas..............	68,693	475,522	33,876	43,779	(9,903)
Kentucky...........	10,810	113,682	6,110	7,123	(1,013)
Louisiana..........	4,226	127,477	12,891	43,448	(30,557)
Maine.................	19	24,604	124	438	(314)
Maryland...........	688	14,483	1,096	1,703	(607)
Massachusetts....	90	6,885	300	497	(197)
Michigan............	6,660	104,551	8,468	10,721	(2,253)
Minnesota..........	63,111	1,072,934	64,835	54,517	10,318
Mississippi.........	2,682	69,509	7,878	13,470	(5,592)
Missouri............	19,052	170,590	15,139	15,419	(280)
Montana............	19,903	280,642	25,884	17,698	8,186
Nebraska...........	60,132	784,169	41,937	32,653	9,284
Nevada..............	9	69	3	24	(21)
New Hampshire...	0	0	0	0	0
New Jersey.........	124	1,782	218	163	55
New Mexico........	1,065	14,476	1,887	3,781	(1,894)
New York...........	532	11,665	770	1,001	(231)
North Carolina.....	14,726	516,033	20,236	13,271	6,965
North Dakota.......	85,001	880,514	75,721	47,612	28,109
Ohio....................	14,273	161,491	8,350	15,526	(7,176)
Oklahoma..........	9,031	121,166	9,902	26,218	(16,316)
Oregon..............	1,768	50,202	2,302	6,668	(4,366)
Pennsylvania.......	1,912	17,643	1,244	6,448	(5,204)
Rhode Island.......	5	330	20	6	14
South Carolina....	2,976	113,006	6,085	6,637	(552)
South Dakota......	33,221	307,334	27,060	30,305	(3,245)
Tennessee..........	4,120	34,565	3,187	6,958	(3,771)
Texas..................	50,245	891,657	96,291	204,541	(108,250)
Utah....................	572	7,705	912	2,266	(1,354)
Vermont.............	22	849	129	55	74
Virginia..............	6,561	139,505	6,691	4,689	2,002
Washington.........	4,750	140,576	8,106	17,332	(9,226)
West Virginia.......	262	3,775	370	1,268	(898)
Wisconsin...........	9,653	110,752	6,979	7,040	(61)
Wyoming.............	1,602	30,551	1,724	1,991	(267)
Total	706,000	11,225,720	735,842	953,252	(217,410)
Puerto Rico Rein.	2,280	44,649	1,304	5	1,299
Grand Total........	708,280	$11,270,369	$737,146	$953,257	(216,111)

a/ Excess of indemnities over premium indicated by parenthesis ( ).

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GOV'T AND REINS. OPERATIONS – CUM. SUMMARY OF EXPERIENCE BY CROP
CROP YEARS 1948 – 1991
(DOLLARS IN THOUSANDS)

Crop	Premium	Indemnities	Premium Compared with Indemnities a/	Loss Ratio
Almond	$46,923	$55,118	(8,195)	1.17
Apple	45,645	83,631	(37,986)	1.83
Barley	177,519	299,244	(121,725)	1.69
Bean	94,920	140,327	(45,407)	1.48
Cherry	150	391	(241)	2.61
Citrus	73,796	116,641	(42,845)	1.58
Citrus Tree	9,581	73,633	(64,052)	7.69
Combined Crop	40,450	45,441	(4,991)	1.12
Corn	1,644,933	1,681,388	(36,455)	1.02
Cotton	555,782	878,082	(322,300)	1.58
Cotton, ELS	3,061	8,568	(5,507)	2.80
Cranberries	4,454	6,962	(2,508)	1.56
Fig	1,105	1,586	(481)	1.44
Flax	23,150	23,119	31	1.00
Forage Production	5,750	15,682	(9,932)	2.73
Forage Seeding	436	1,331	(895)	3.05
Grain Sorghum	177,128	299,778	(122,650)	1.69
Grape	35,717	41,035	(5,318)	1.15
Grape, Table	7,592	9,942	(2,350)	1.31
Hybrid Seed,Corn	62,602	90,641	(28,039)	1.45
Macadamia Nut	97	0	97	0.00
Macadamia Tree	920	0	920	0.00
Nursery Stock	1,632	2,535	(903)	1.55
Oat	44,302	72,468	(28,166)	1.64
Onion	1,666	4,516	(2,850)	2.71
Pea	20,941	23,176	(2,235)	1.11
Peach	23,080	50,067	(26,987)	2.17
Peanut	259,345	536,099	(276,754)	2.07
Pear	315	40	275	0.13
Pepper	5,215	6,736	(1,521)	1.29
Plum	466	448	18	0.96
Popcorn	4,868	7,586	(2,718)	1.56
Potato	54,945	127,942	(72,997)	2.33
Prev. Plant. Endors	21	261	(240)	12.43
Prevented Planting	157	894	(737)	5.69
Prune	4,773	10,242	(5,469)	2.15
Raisin	121,452	108,219	13,233	0.89
Rice	27,384	85,068	(57,684)	3.11
Rye	326	341	(15)	1.05
Safflower	3,683	22,059	(18,376)	5.99
Sorghum, Hyb.Seed	1,054	3,486	(2,432)	3.31
Soybean	1,189,870	1,782,339	(592,469)	1.50
Stonefruit	1,887	1,398	489	0.74
Sugar Beet	68,643	70,895	(2,252)	1.03
Sugarcane	11,873	20,989	(9,116)	1.77
Sunflower	66,012	92,106	(26,094)	1.40
Sweet Corn	7,416	5,861	1,555	0.79
Sweet Corn, FM	3,052	3,701	(649)	1.21
Tobacco	390,273	447,386	(57,113)	1.15
Tomato	38,104	32,426	5,678	0.85
Tomato, Fresh	32,117	43,570	(11,453)	1.36
Tung Nut	90	67	23	0.74
Walnut	1,271	1,166	105	0.92
Wheat	1,534,080	2,197,462	(663,382)	1.43
Puerto Rico Reins	13,962	13,932	30	1.00
Grand Total	$6,945,986	$9,648,021	($2,702,035)	1.39

a/ Excess of indemnities over premium indicated by parenthesis ( ).

Capital Stock

Prior to the Federal Crop Insurance Act of 1980, as amended, the Corporation had authorized and issued capital stock of $200 million which was cancelled by the new legislation. Cumulative expenses of $162,021,530 paid from the proceeds of the original stock issue were written off, and the balance remaining of $37,978,470 was transferred to paid-in capital in fiscal year 1981.

The Federal Crop Insurance Act of 1980, as amended, authorized $500 million of capital stock which is fully subscribed and issued.

ADMINISTRATIVE AND OPERATING EXPENSES

The activities funded from this appropriation are briefly described below:

1. Research and Development - This activity covers the underwriting and actuarial functions which make determinations with respect to the establishment of insurance coverage and premium rates. Also, new programs are researched and developed, and existing ones are reviewed and evaluated for clarity and policy and provision intent. This activity also includes evaluation of current crop programs and policies. The research division activities include development of strategies for increasing participation in the crop insurance program.

2. Reinsured Companies - Provides the insurance marketing, servicing, training, quality control, statistical processing and reporting, and loss adjustment functions, including payment of claims for policies reinsured by FCIC. The companies also share with FCIC, limited exposure for losses plus an opportunity for underwriting gain. This represents approximately 92 percent of all sales.

3. Agency Sales and Service Contracts and Loss Adjustment Contracts - Under Agency Sales and Service Contracts, also known as "master marketing agreements," private insurance entities contract with FCIC to provide insurance sales and service for policies issued by FCIC. Loss adjustment activities associated with these policies are contracted by FCIC. This represents less than 10 percent of all sales.

4. Insurance Services - This activity consists of the development and administration of reinsurance agreements and agency sales and service contracts, and developing strategies for increased participation in the crop insurance program. It also includes all phases of program administration, including directing Regional Service Offices and Direct Processing Centers throughout the country which provide services for all program participants.

5. Program Management and Administrative Support - This activity includes administrative support in finance, accounting, budgeting, management support services, and personnel management and Equal Employment Opportunity programs for FCIC, as well as compliance and quality control activities on all program delivery operations (reinsured, sales and service, and FCIC field operations).

Reorganization of FCIC:

During fiscal year 1992, FCIC completed an extensive reorganization. This was the result of recommendations made by the Commission for the Improvement of Crop Insurance, the Peat Marwick consultant group and the Reorganization Task Force of FCIC employees. The recommendation was consistent with Congressional intent that the Corporation be restructured to assure better management of an actuarially sound program to protect the interest of the farmer and the taxpayer.

The Reorganization Task Force considered in its review the history of the crop insurance program; statutory requirements originally mandated for program implementation; problems plaguing current programs; and the need for rational expansion as had been noted by outside reviewers. The Task Force reassessed all functions, and recommended changes to build on strengths and overcome weaknesses.

As a result, resources have been reallocated to better accomplish the mission of the Corporation. The changes provide added emphasis to research and development of new or improved insurance products, evaluation of current programs, increased emphasis on customer service and the need to provide a foundation for an expanded regulatory role in the future as more business is conducted by the reinsured companies.

FCIC physically relocated the headquarters office to 2101 L Street, NW, near the financial district in Washington, D.C. In addition, FCIC consolidated its field structure significantly. Prior to the reorganization, the field structure consisted of 11 Field Underwriting Offices, 16 Field Service Offices and 62 Area Claims Offices. Utilizing existing worksites, the reorganization consolidated underwriting and program service functions in 10 Regional Service Offices and is now servicing claims through 4 Direct Service Offices. Area Claims Offices were decreased to 54. FCIC compliance and oversight function was expanded. The reorganization resulted in a net decrease of 19 offices nationwide.

In summary, this major reorganization has served to more fully utilize current resources, strengthen lines of responsibility and accountability, provide a strengthened field presence, better service to farmers, improve our ability to develop and deliver a good crop insurance program, and enhance accountability to taxpayers.

The following are selected accomplishments under this appropriation, by activity:

Research and Development

FCIC, in conjunction with the Cooperative Extension Service and the crop insurance industry, developed the Soybean Group Risk Plan. This plan provides protection against losses which affect large numbers of farmers in an area. The plan conforms to the area loss plan which the Congress in the Food, Agriculture, Conservation, and Trade Act of 1990, asked FCIC to test. A 2-year pilot program will be conducted for crop years 1993 and 1994 in a total of 96 counties in 13 states.

A 5-year plan to research the insurance requirements for 25 new crop programs has been developed. The plan includes the criteria for evaluating the potential for extending insurance to more crops, as well as an annual schedule for considering the prioritized crops.

Several research projects involving agreements with the Cooperative Extension Service and the Economic Research Service were funded. Included are evaluations of the role of multiple peril crop insurance (MPCI) in U.S. agricultural policy; of MPCI in semi-arid regions; of the effects of farm size and yield variability upon crop insurance programs; of the market potential in California; ways of improving citrus freeze damage assessment; of insuring forage based on an area plan of coverage; and of the potential effects of sustainable agriculture on MPCI.

FCIC began implementing provisions of Section 508(b) of the Federal Crop Insurance Act, as amended, by developing "standards for submissions" of policies which are designed to enhance the protection offered by crop insurance. Two such policies were submitted during fiscal year 1992. FCIC expects that at least one such policy to be available for crop year 1993.

FCIC enhanced its ability to validate and monitor disbursements of funds to commercial insurers and contractors during fiscal year 1992. Data systems were restructured so that data received from reinsured companies is validated before preparing monthly accounting reports to pay or collect monies as provided under the Standard Reinsurance Agreement. Processing time was substantially reduced. FCIC pioneered the installation and testing of telecommunications software at USDA's National Computer Center. This software, coupled with the enhanced processing system, permits a reinsured company to submit data, activate edits, and retrieve the results without intervention.

Redesigning of the actuarial filing system has resulted in integration of several previously fragmented systems. This has streamlined processing and enhanced quality

control capabilities, and enabled electronic production of, and dissemination of, actuarial materials to all reinsured companies and sales and service contractors. These changes enhance the efficiency of transmitting program data from FCIC to crop insurance agents.

Basic provisions of the crop insurance policy and crop provisions for 16 crop insurance programs offered by FCIC were revised. These revised documents will establish common terms and conditions for these crops in crop year 1994 by eliminating current inconsistencies between Federal and commercial policies. Substantial efforts also were made to more precisely define the insurance offer, outline limitations, and advise insured individuals of their responsibilities and FCIC's responsibilities.

Insurance Services

In 1992, the newly reorganized Regional Service Offices (RSO) began the task of reviewing crop insurance programs in their regions and recommending changes where existing programs were not providing effective risk mananagement tools. Before the end of the fiscal year, RSO underwriters had already recommended numerous program changes designed to make the program more cost effective. These were approved by senior management. In addition to providing a new emphasis for regional underwriting, the RSO's accomplished all routine actuarial activities for 1992, including crop filing, rate review and completing the non-standard classification system selections for 1993.

The Regional Services Office Program structure provided invaluable assistance in responding to Hurricane Andrew by providing quick responses for assessing program impact and providing on-site assistance to the program companies and policyholders. The RSO involvement led to several recommendations for program modifications to assist producers in obtaining crop insurance after these storms.

Increased participation has been identified as one of four primary goals of the FCIC. To accomplish this goal, activities designed to educate farmers and promote awareness of crop insurance as a risk management tool were undertaken during 1992. The Crop Value Assessment was developed to identify the economic significance of all crops at the national, state and county levels to use as a decision tool for crop program expansion and target market identification. Over one million copies of the 1993 Guide to Crop Insurance Protection, and informational brochure, was distributed by FCIC, companies, agents, USDA sister agencies, and as magazine inserts. New nomadic display/exhibit units were created for distribution to Regional Service Offices, Kansas City and Washington, D.C. offices for use at industry/trade shows and events to increase consumer awareness.

A Spring Sales Season "radio campaign" was initiated in 26 states. During the Fall Sales Season states growing winter wheat, oats and barley were targeted for radio and print advertisements. Farmers who operate larger, more automated farms were targeted by information campaigns through an electronic database media. Informational and educational articles were featured in several magazines with total circulation exceeding two million. Other printed support material such as the Production Record Management System and posters promoting crop insurance were produced to assist private sector sales and meet FCIC's goal of increased participation.

Compliance

During fiscal year 1992, over $53 million in indemnity payments were subjected to FCIC's Compliance office reviews. These reviews identified approximately $8 million in overpaid indemnities. During this same period, Compliance verified the correction of over $1,097,528 in overpayments and issued $2,891,805 in final determinations for compliance cases completed in both fiscal year 1992 and prior fiscal years.

During the fiscal year Compliance performed a special review of the FCIC Peach Program. This review disclosed numerous inconsistencies in underwriting and loss adjustment procedures. As a result of the review, FCIC issued a Peach Loss Adjustment

Bulletin to address the program deficiencies identified by the compliance review. Compliance investigators also identified problems with the FCIC Peanut Program which led to the formation of a task force to review the program and make recommendations to improve it. Compliance investigators also participated in a review of Texas cotton loss adjustments.

Many of our compliance reviews disclosed improper actions on the part of insurance agents, loss adjusters and insureds which were referred to the USDA Office of Inspector General for criminal investigation. Upon request we also assisted with the investigation. For example, a significant time committment was made while working with the USDA Office of the Inspector General (OIG) on complaints in Southern Louisiana involving hidden production and false claims of 60 insured producers. Seventeen of the 60 producers were subsequently indicted. These false claims represent approximately $4.5 million in overpaid indemnities. Another compliance review lead to an OIG investigation of a crop insurance agent in El Paso, Illinois. The agent was found guilty on four counts of fraud.

In an effort to improve the technical skills of Compliance investigators, we performed an analysis of staff training needs. Based on the results of this analysis, we developed a Training Profile for Compliance investigators. The Profile was used as the guide for scheduling training for the coming fiscal year.

Program Statistics

The following tables show: (1) the number of counties in which crop insurance is offered, crop years 1948 through 1992 and 1993 (estimated), and (2) data by commodity for crop years 1948 through 1991 (actual).

Crop Year	Number of Counties
1948	324
1949	357
1950	549
1951	730
1952	795
1953	847
1954	803
1955	794
1956	806
1957	816
1958	830
1959	847
1960	869
1961	890
1962	995
1963	1,094
1964	1,187
1965	1,214
1966	1,304
1967	1,304
1968	1,363
1969	1,395
1970	1,425
1971	1,423
1972	1,423
1973	1,422
1974	1,432
1975	1,444
1976	1,467
1977	1,467
1978	1,522
1979	1,526
1980	1,676
1981	1,928
1982	2,999
1983	3,000
1984	3,010
1985	3,012
1986	3,013
1987	3,014
1988	3,015
1989	3,019
1990	3,026
1991	3,026
1992	3,026
1993 (estimated)	3,026

GOVERNMENT AND REINSURANCE OPERATIONS
CROP INSURANCE EXPERIENCE BY YEAR 1948-1991
ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	POLICIES EARNED PREMIUM (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
ALMOND						
1981......	4	152	8,717	610	10	0.02
1982......	18	262	24,110	1,758	1,312	0.75
1983......	18	315	27,433	2,028	6,949	3.43
1984......	18	683	46,621	3,448	20	0.01
1985......	18	658	47,575	3,490	3,637	1.04
1986......	18	586	37,127	2,490	14,145	5.68
1987......	18	972	73,515	4,860	668	0.14
1988......	18	1,187	95,176	5,958	5,637	0.95
1989......	18	1,553	112,080	6,566	8,765	1.33
1990......	29	1,736	119,495	7,282	1,283	0.18
1991......	18	1,859	138,665	8,433	12,692	1.51
TOTAL.....	---	---	---	46,923	55,118	1.17
APPLE						
1963-1980...	---	---	68,003	6,604	8,398	1.27
1981......	10	357	9,195	836	1,291	1.54
1982......	10	293	7,914	734	1,208	1.65
1983......	10	244	6,258	586	879	1.50
1984......	24	344	11,352	1,012	1,650	1.63
1985......	110	409	20,439	1,758	4,795	2.73
1986......	131	762	41,413	3,777	9,574	2.53
1987......	131	1,020	51,455	4,879	4,310	0.88
1988......	159	1,098	63,211	5,851	12,917	2.21
1989......	231	1,475	74,440	7,755	13,782	1.78
1990......	208	1,355	54,980	5,893	16,204	2.75
1992......	264	1,206	50,396	5,960	8,623	1.45
TOTAL.....	---	---	---	45,645	83,631	1.83
BARLEY						
1956-1980...	---	---	358,022	27,932	26,411	0.95
1981......	270	12,453	95,691	8,358	6,835	0.82
1982......	2,545	12,110	96,052	8,032	5,025	0.63
1983......	2,549	12,310	100,973	8,413	7,134	0.85
1984......	2,620	14,339	145,070	11,546	24,513	2.12
1985......	2,620	19,875	197,667	16,302	71,349	4.38
1986......	2,620	23,130	171,546	13,594	25,597	1.88
1987......	2,620	23,770	127,081	9,638	11,916	1.24
1988......	2,620	27,092	146,359	12,634	60,534	4.79
1989......	2,620	43,378	195,047	17,921	26,355	1.47
1990......	1,316	36,292	220,789	19,899	18,167	0.91
1991......	2,620	35,661	244,791	23,250	15,408	0.66
TOTAL.....	---	---	---	177,519	299,244	1.69

GOVERNMENT AND REINSURANCE OPERATIONS
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ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	POLICIES EARNED PREMIUM (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
BEAN						
1948-1980...	---	---	160,062	9,924	9,118	0.92
1981......	60	2,995	51,631	4,191	4,242	1.01
1982......	78	3,017	58,234	4,844	14,462	2.99
1983......	78	1,877	19,061	1,572	2,110	1.34
1984......	131	2,632	44,108	3,469	4,057	1.17
1985......	214	3,003	49,620	3,889	8,278	2.13
1986......	215	3,630	62,211	5,226	6,847	1.31
1987......	236	5,403	87,534	7,025	12,973	1.85
1988......	272	5,086	67,792	5,556	10,786	1.94
1989......	323	8,661	146,568	12,525	36,122	2.88
1990......	528	10,914	184,268	19,043	22,286	1.17
1991......	536	9,008	162,047	17,656	9,066	0.51
TOTAL.....	---	---	---	94,920	140,327	1.48
CHERRY						
1963-1966...	4	451	1,371	150	391	2.61
TOTAL.....	---	---	---	150	391	2.61
CITRUS						
1951-1980...	---	---	486,198	43,159	60,273	1.40
1981......	27	1,275	40,378	3,395	7,561	2.23
1982......	30	1,244	40,043	3,673	296	0.08
1983......	30	0	0	0	0	0.00
1984......	35	1,248	39,788	3,677	9,955	2.71
1985......	35	963	32,154	2,816	9,542	3.39
1986......	35	813	31,283	2,808	1,576	0.56
1987......	43	867	32,080	2,716	373	0.14
1988......	43	847	36,238	2,965	990	0.33
1989......	44	798	35,615	2,860	1,095	0.38
1990......	51	771	35,283	2,738	11,654	4.26
1991......	45	736	38,269	2,989	13,327	4.46
TOTAL......	---	---	---	73,796	116,641	1.58
CITRUS TREE						
1983......	3	220	18,643	757	0	0.00
1984......	3	230	21,085	832	18,726	22.51
1985......	3	517	9,187	426	327	0.77
1986......	3	547	14,341	660	58	0.09
1987......	3	570	26,320	1,083	0	0.00
1988......	3	574	32,956	1,351	0	0.00
1989.....	3	578	42,722	1,753	1	0.00
1990......	5	631	55,152	2,235	54,521	24.39
1991......	3	455	9,976	484	0	0.00
TOTAL.....	---	---	---	9,581	73,633	7.69

GOVERNMENT AND REINSURANCE OPERATIONS
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ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	POLICIES EARNED PREMIUM (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
COMBINED CROP						
1948–1980...	---	---	789,307	37,511	44,222	1.18
1981......	7	1,069	19,367	801	139	0.17
1982......	5	809	15,961	659	211	0.32
1983......	5	702	10,589	406	251	0.62
1984......	5	573	11,035	399	38	0.10
1985......	5	506	9,590	348	207	0.59
1986......	5	398	6,754	199	230	1.16
1987......	5	334	4,425	127	143	1.13
1988......	0	0	0	0	0	0.00
TOTAL.....	---	---	---	40,450	45,441	1.12
CORN						
1948–1980...	12,896	1,927,715	5,626,659	290,866	315,193	1.08
1981......	1,335	104,856	1,492,870	90,835	52,492	0.58
1982......	2,829	83,911	1,259,258	72,288	37,912	0.52
1983......	2,832	61,709	705,833	40,577	110,520	2.72
1984......	2,850	97,462	1,888,003	105,094	93,661	0.89
1695......	2,850	106,727	2,294,334	114,494	71,023	0.62
1986......	2,850	109,077	1,907,809	100,434	82,866	0.83
1987......	2,850	118,901	1,598,586	79,864	47,024	0.59
1988......	2,849	118,499	1,796,756	93,501	298,691	3.19
1989......	2,850	301,147	5,161,920	267,092	243,713	0.91
1990......	3,808	251,503	4,039,266	213,970	116,750	0.55
1991......	3,851	190,973	3,292,149	175,918	211,543	1.20
TOTAL.....	---	---	---	1,644,933	1,681,388	1.02
COTTON						
1948–1980...	6,446	736,153	1,822,490	112,365	176,582	1.57
1981......	360	5,834	272,894	22,269	24,773	1.11
1982......	618	6,154	273,499	23,703	44,615	1.88
1983......	619	7,038	236,536	21,716	37,197	1.71
1984......	690	12,333	337,544	36,016	58,979	1.64
1985......	690	9,077	221,890	20,040	11,110	0.55
1986......	691	12,023	212,586	22,576	63,222	2.80
1987......	692	16,249	273,119	29,002	13,987	0.48
1988......	690	15,866	368,837	44,616	39,180	0.88
1989......	691	26,631	477,287	52,822	126,787	2.40
1990......	796	35,306	694,918	80,978	102,547	1.27
1991......	707	30,214	802,813	89,679	179,103	2.00
TOTAL.....	---	---	---	555,782	878,082	1.58

GOVERNMENT AND REINSURANCE OPERATIONS
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PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	POLICIES EARNED PREMIUM (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
COTTON, ELS						
1984......	0	11	475	45	0	0.00
1985......	12	23	1,467	82	0	0.00
1986......	12	21	1,081	84	0	0.00
1987......	12	18	665	45	60	1.33
1988......	12	13	1,210	83	47	0.57
1989......	12	107	9,821	848	1,495	1.76
1990......	36	144	8,182	957	2,331	2.44
1991......	42	129	11,668	917	4,635	5.05
TOTAL......	---	---	---	3,061	8,568	2.80
CRANBERRIES						
1984......	0	22	1,597	121	64	0.53
1985......	0	50	6,323	185	35	0.19
1986......	0	55	12,705	389	533	1.37
1987......	0	78	19,772	577	438	0.76
1988......	32	88	22,445	634	556	0.88
1989......	32	116	27,230	790	2,134	2.70
1990......	22	121	26,266	798	1,916	2.40
1991......	32	130	27,748	960	1,286	1.34
TOTAL......	---	---	---	4,454	6,962	1.56
FIGS						
1988......	---	49	1,960	181	181	1.00
1989......	4	49	3,284	305	306	1.00
1990......	3	49	3,301	282	658	2.33
1991......	4	49	3,663	337	441	1.31
TOTAL......	---	---	---	1,105	1,586	1.44
FLAX						
1948-1980...	2,398	482,238	156,568	17,863	15,901	0.89
1981......	85	1,711	3,541	489	436	0.89
1982......	85	1,696	4,186	581	707	1.22
1983......	87	1,291	2,710	367	323	0.88
1984......	98	1,213	2,832	367	299	0.81
1985......	118	1,516	3,815	462	530	1.15
1986......	118	1,704	4,476	510	671	1.32
1987......	119	1,466	3,181	370	341	0.92
1988......	119	1,020	2,046	241	1,094	4.54
1989......	120	2,148	3,131	390	1,377	3.53
1990......	178	2,605	5,056	626	647	1.03
1991......	120	2,542	6,547	884	793	0.90
TOTAL......	---	---	---	23,150	23,119	1.00

GOVERNMENT AND REINSURANCE OPERATIONS
CROP INSURANCE EXPERIENCE BY YEAR 1948-1991
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(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	POLICIES EARNED PREMIUM (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
FORAGE PRODUCTION						
1979-1980...	6	121	588	34	68	2.00
1981......	3	51	224	13	41	3.15
1982......	8	99	554	34	72	2.12
1983......	8	34	135	7	20	2.86
1984......	20	32	147	10	13	1.30
1985......	20	24	104	6	19	3.17
1986......	20	9	29	1	0	0.00
1987......	20	7	29	2	0	0.00
1988......	26	34	692	34	91	2.68
1989......	143	7,538	36,706	1,690	4,390	2.60
1990......	195	5,749	45,104	2,548	8,387	3.29
1991......	180	2,994	19,796	1,371	2,581	1.88
TOTAL.....	---	---	---	5,750	15,682	2.73
FORAGE SEEDING						
1978-1980...	9	285	203	16	78	4.88
1981......	3	127	130	13	57	4.38
1982......	8	134	274	10	27	2.70
1983......	8	84	80	6	6	1.00
1984......	8	77	79	6	10	1.67
1985......	8	62	65	6	10	1.67
1986......	8	46	50	4	6	1.50
1987......	21	44	55	4	4	1.00
1988......	21	32	40	4	3	0.75
1989......	63	185	280	23	76	3.30
1990......	118	1,207	2,420	191	607	3.18
1991......	151	986	1,823	153	447	2.92
TOTAL.....	---	---	---	436	1,331	3.05
GRAIN SORGHUM						
1959-1980...	3,161	177,920	392,488	24,515	25,829	1.05
1981......	441	18,781	150,980	12,901	11,995	0.93
1982......	2,408	12,867	122,267	10,359	11,938	1.15
1983......	2,410	9,597	70,239	6,165	12,239	1.99
1984......	2,471	16,372	174,379	15,459	38,679	2.50
1985......	2,471	19,768	205,752	14,908	25,006	1.68
1986......	2,471	21,383	173,271	13,836	25,991	1.88
1987......	2,471	19,038	108,598	8,322	9,003	1.08
1988......	2,468	16,545	96,959	7,619	10,471	1.37
1989......	2,468	42,233	347,452	27,434	66,360	2.42
1990......	1,858	42,605	203,803	16,081	30,629	1.90
1991......	2,486	36,491	233,280	19,529	31,638	1.62
TOTAL.....	---	---	---	177,128	299,778	1.69

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PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	POLICIES EARNED PREMIUM (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
GRAPE						
1967-1989...	117	3,703	47,434	2,710	2,694	0.99
1981......	20	619	18,334	1,134	959	0.85
1982......	27	783	40,271	2,409	5,494	2.28
1983......	30	1,271	86,625	5,288	13,609	2.57
1984......	47	1,262	56,549	3,571	3,409	0.95
1985......	60	887	29,662	2,020	1,586	0.79
1986......	60	732	22,659	1,610	1,174	0.73
1987......	60	771	31,093	2,199	859	0.39
1988......	66	749	33,892	2,438	443	0.18
1989......	97	850	42,337	3,096	2,117	0.68
1990......	76	869	48,104	3,514	2,449	0.70
1991......	117	903	74,769	5,728	6,242	1.09
TOTAL......	---	---	---	35,717	41,035	1.15
GRAPE, TABLE						
1984......	10	221	21,019	1,674	5,151	3.08
1985......	10	223	19,648	1,451	2,139	1.47
1986......	10	162	12,683	1,032	897	0.87
1987......	10	122	9,338	765	274	0.36
1988......	10	94	7,563	573	350	0.61
1989......	13	86	8,693	643	371	0.58
1990......	8	68	7,519	555	90	0.16
1991......	14	84	12,287	899	670	0.75
TOTAL......	---	---	---	7,592	9,942	1.31
HYBRID SEED,CORN						
1983......	68	197	5,334	268	3,537	13.20
1984......	68	709	27,208	1,458	4,426	3.04
1985......	398	4,250	145,013	10,396	7,043	0.68
1986......	398	3,903	97,123	6,783	4,784	0.71
1987......	398	3,017	69,920	4,795	4,537	0.95
1988......	398	3,811	100,951	6,886	35,001	5.08
1989......	414	6,329	177,091	12,218	11,381	0.93
1990......	247	5,332	139,766	10,061	7,738	0.77
1991......	432	5,252	122,529	9,737	12,194	1.25
TOTAL......	---	---	---	62,602	90,641	1.45

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MACADAMIA NUT						
1988.......	---	7	2,631	37	0	0.00
1989.......	4	20	2,359	22	0	0.00
1990......	1	21	2,593	25	0	0.00
1991......	4	3	1,226	13	0	0.00
TOTAL....	---	---	---	97	0	0.00
MACADAMIA TREE						
1988.......	---	7	11,727	164	0	0.00
1989.......	4	9	19,420	257	0	0.00
1990......	1	10	18,855	251	0	0.00
1991......	4	10	17,471	248	0	0.00
TOTAL....	---	---	---	920	0	0.00
NURSERY STOCK						
1984.......	---	0	0	0	0	0.00
1985.......	---	4	10,754	213	0	0.00
1986.......	---	24	8,921	270	0	0.00
1987.......	---	33	11,527	360	14	0.04
1988.......	---	0	0	0	0	0.00
1989......	---	14	2,626	73	0	0.00
1990......	---	19	9,651	250	1,216	4.86
1991......	---	52	16,767	466	1,305	2.80
TOTAL......	---	---	---	1,632	2,535	1.55
OAT						
1959-1980...	4,857	448,665	167,580	11,571	9,776	0.84
1981......	429	15,129	29,105	3,034	4,314	1.42
1982......	550	11,436	22,050	2,108	1,241	0.59
1983......	938	7,669	13,033	1,335	1,017	0.76
1984......	2,532	7,406	13,429	1,378	1,705	1.24
1985......	2,532	7,713	14,555	1,359	2,008	1.48
1986......	2,532	5,894	8,548	771	1,333	1.73
1987......	2,532	7,114	8,605	740	990	1.34
1988......	2,532	9,940	16,792	1,736	9,771	5.63
1989......	2,531	58,328	84,978	8,038	22,561	2.81
1990......	1,988	39,396	76,984	8,104	11,789	1.45
1991......	2,734	22,646	33,336	4,128	5,963	1.45
TOTAL......	---	---	---	44,302	72,468	1.64
ONION						
1988......	---	89	4,604	305	579	1.90
1989......	63	142	5,804	364	1,014	2.79
1990......	50	144	6,202	395	610	1.54
1991......	64	179	8,603	602	2,313	3.84
TOTAL......	---	---	---	1,666	4,516	2.71

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PEA						
1962–1980...	808	54,695	102,907	7,580	9,662	1.27
1981......	75	1,181	7,922	613	416	0.68
1982......	85	1,030	9,527	698	480	0.69
1983......	89	983	7,597	616	582	0.94
1984......	100	937	7,482	612	560	0.92
1985......	149	1,076	12,127	952	889	0.93
1986......	150	1,080	11,320	896	664	0.74
1987......	153	1,268	12,531	1,008	569	0.56
1988......	161	2,554	1,680	1,680	3,062	1.82
1989......	37	3,393	25,951	2,195	1,343	0.61
1990......	190	2,945	25,690	2,235	3,364	1.51
1991......	189	2,642	21,353	1,856	1,585	0.85
TOTAL......	---	---	---	20,941	23,176	1.11
PEACH						
1957–1980...	374	7,416	52,820	7,043	8,821	1.25
1981......	17	98	3,370	275	95	0.35
1982......	21	109	4,425	394	1,411	3.58
1983......	25	132	7,656	694	2,086	3.01
1984......	48	210	13,857	1,300	1,167	0.90
1985......	82	305	19,390	1,901	5,130	2.70
1986......	82	509	21,285	2,108	4,189	1.99
1987......	96	471	17,299	1,876	3,592	1.91
1988......	166	439	14,198	1,584	3,582	2.26
1989......	166	686	14,929	1,691	7,936	4.69
1990......	243	1,077	16,847	1,988	8,344	4.20
1991......	257	961	16,184	2,226	3,714	1.67
TOTAL......	---	---	---	23,080	50,067	2.17
PEANUT						
1962–1980...	1,122	74,839	568,939	29,162	39,295	1.35
1981......	140	10,364	269,962	14,445	8,953	0.62
1982......	175	8,710	216,366	11,424	9,172	0.80
1983......	208	7,592	221,226	13,220	40,084	3.03
1984......	246	8,320	284,259	17,083	14,220	0.83
1985......	258	7,981	272,138	15,478	15,069	0.97
1986......	271	7,981	311,170	16,258	45,673	2.81
1987......	278	9,516	413,495	21,078	47,818	2.27
1988......	278	9,949	457,025	22,962	34,655	1.51
1989......	292	10,993	522,800	26,097	33,294	1.28
1990......	401	11,195	597,480	30,067	198,887	6.61
1991......	296	11,909	717,103	42,071	48,979	1.16
TOTAL......	---	---	---	259,345	536,099	2.07

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PEAR						
1989......	22	46	1,847	128	1	0.01
1990......	16	42	2,049	135	21	0.16
1991......	23	25	629	52	18	0.35
TOTAL......	---	---	---	315	40	0.13
PEPPER						
1984......	4	20	3,786	394	544	1.38
1985......	4	36	4,716	427	1,587	3.72
1986......	10	76	13,629	1,293	1,923	1.49
1987......	10	41	10,252	960	199	0.21
1988......	10	24	7,121	676	409	0.61
1989......	11	18	5,586	569	877	1.54
1990......	12	15	4,629	511	1,094	2.14
1991......	12	11	3,755	385	103	0.27
TOTAL......	---	---	---	5,215	6,736	1.29
PLUM						
1990......	8	46	1,562	126	109	0.87
1991......	7	85	4,105	340	339	1.00
TOTAL......	---	---	---	466	448	0.96
POPCORN						
1984......	119	211	5,329	328	1,017	3.10
1985......	55	365	8,716	477	1,103	2.31
1986......	113	251	5,496	263	556	2.11
1987......	175	425	7,745	418	246	0.59
1988......	184	488	6,488	443	1,080	2.44
1989......	279	961	18,485	1,173	1,097	0.94
1990......	270	963	16,517	1,028	948	0.92
1991......	313	705	11,444	738	1,539	2.09
TOTAL......	---	---	---	4,868	7,586	1.56
POTATO						
1962–1980...	107	4,068	22,511	1,297	2,670	2.06
1981......	4	40	3,605	214	290	1.36
1982......	4	34	3,275	183	236	1.29
1983......	49	127	12,471	670	1,836	2.74
1984......	187	369	40,864	2,266	4,257	1.88
1985......	98	570	61,734	3,207	10,895	3.40
1986......	167	729	81,224	3,944	11,493	2.91
1987......	211	904	104,570	5,564	13,518	2.43
1988......	237	1,034	129,401	6,718	19,045	2.83
1989......	305	1,264	153,405	8,128	20,171	2.48
1990......	277	1,475	184,206	10,740	27,182	2.53
1991......	331	1,388	202,706	12,014	16,349	1.36
TOTAL......	---	---	---	54,945	127,942	2.33

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PREV. PLANTING						
ENDORSEMENT		0	0	0	0	0.00
1982......	---	0	0	0	0	0.00
1983......	---	0	0	0	0	0.00
1984......	---	0	0	0	0	0.00
1985......	---	0	0	0	0	0.00
1986......	---	38	388	12	218	18.17
1987......	---	5	24	1	0	0.00
1988......	---	0	0	0	0	0.00
1989......	---	1	7	0	0	0.00
1990......	---	4	14	1	2	2.00
1991......	---	72	247	7	41	5.86
TOTAL......	---	---	---	21	261	12.43
PREV. PLANTING						
1982......	10	316	3,571	109	613	5.62
1983......	10	72	414	13	17	1.31
1984......	10	25	151	5	2	0.40
1985......	10	11	61	1	3	3.00
1986......	10	75	963	29	259	8.93
TOTAL......	---	---	---	157	894	5.69
PRUNE						
1986......	13	65	7,551	489	3,415	6.98
1987......	13	126	11,130	714	121	0.17
1988......	13	143	12,205	774	1,396	1.80
1989......	13	171	11,478	736	235	0.32
1990......	17	191	12,334	806	3,232	4.01
1991......	15	263	19,145	1,254	1,844	1.47
TOTAL......	---	---	---	4,773	10,242	2.15
RAISIN						
1961-1980...	140	30,124	270,213	10,847	10,974	1.01
1981......	7	1,736	46,060	2,733	11	0.00
1982......	7	1,724	84,231	5,389	33,854	6.28
1983......	7	3,452	199,187	19,961	23,176	1.16
1984......	7	3,311	123,316	9,852	4,700	0.48
1985......	7	2,779	104,238	8,599	1,259	0.15
1986......	7	2,172	74,685	6,524	368	0.06
1987......	7	2,455	101,330	8,891	0	0.00
1988......	7	2,481	123,340	10,603	0	0.00
1989......	7	2,702	197,321	16,826	33,804	2.01
1990......	13	2,274	119,212	10,172	73	0.01
1991......	7	2,278	114,392	11,055	0	0.00
TOTAL......	---	---	---	121,452	108,219	0.89

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RICE						
1960-1980...	484	5,137	109,973	3,231	4,753	1.47
1981......	80	1,625	82,265	2,278	4,237	1.86
1982......	146	1,568	88,968	2,405	8,062	3.35
1983......	146	1,359	54,465	1,676	6,818	4.07
1984......	165	808	37,059	1,222	1,883	1.54
1985......	165	857	36,457	1,123	3,025	2.69
1986......	165	1,023	36,306	1,042	2,911	2.79
1987......	165	2,136	61,135	1,776	4,777	2.69
1988......	165	2,537	97,980	2,880	7,577	2.63
1989......	165	2,673	91,271	2,660	7,898	2.97
1990......	205	3,090	110,709	3,413	11,803	3.46
1991......	165	2,686	105,135	3,678	21,324	5.80
TOTAL......	---	---	---	27,384	85,068	3.11
RYE						
1980......	3	9	3	1	1	1.00
1981......	3	3	9	1	0	0.00
1982......	36	67	253	32	15	0.47
1983......	36	84	228	27	11	0.41
1984......	36	106	312	35	13	0.37
1985......	36	68	165	18	17	0.94
1986......	36	62	143	13	9	0.69
1987......	36	70	147	14	10	0.71
1988......	36	88	166	17	62	3.65
1989......	54	518	758	88	121	1.38
1990......	85	267	427	49	46	0.94
1991......	58	165	256	31	36	1.16
TOTAL......	---	---	---	326	341	1.05
SAFFLOWER						
1964-1966...	6	104	20	15	17	1.13
1987......	40	174	524	68	67	0.99
1988......	40	231	657	87	347	3.99
1989......	59	306	4,526	355	1,262	3.55
1990......	100	450	22,719	2,652	18,766	7.08
1991......	68	376	3,957	506	1,600	3.16
TOTAL......	---	---	---	3,683	22,059	5.99
SORGHUM, HYBRID SEED						
1988......	12	21	702	98	219	2.23
1989......	15	37	1,681	235	968	4.12
1990......	13	49	2,001	326	1,141	3.50
1991......	16	44	2,097	395	1,158	2.93
TOTAL......	---	---	---	1,054	3,486	3.31

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SOYBEAN						
1955-1980...	11,726	1,172,478	2,132,591	119,230	106,541	0.89
1981......	1,089	92,334	1,246,460	96,986	174,317	1.80
1982......	1,323	83,833	1,350,294	111,163	223,654	2.01
1983......	1,609	66,944	820,851	73,204	180,564	2.47
1984......	1,726	87,785	1,237,488	101,108	191,262	1.89
1985......	1,867	92,295	1,292,284	91,361	157,887	1.73
1986......	1,868	91,854	1,067,270	72,307	147,435	2.04
1987......	1,868	101,967	1,166,047	76,033	100,038	1.32
1988......	1,879	104,768	1,186,748	80,732	155,469	1.93
1989......	1,883	235,586	2,692,678	150,798	145,124	0.96
1990......	2,987	193,188	2,024,551	121,665	102,546	0.84
1991......	1,975	149,626	1,738,034	95,283	97,502	1.02
TOTAL......	---	---	---	1,189,870	1,782,339	1.50
STONEFRUIT						
1988......	16	91	5,261	407	528	1.30
1989......	16	98	4,860	363	58	0.16
1990......	17	93	4,817	342	160	0.47
1991......	18	155	10,724	775	652	0.84
TOTAL......	---	---	---	1,887	1,398	0.74
SUGAR BEET						
1965-1980...	1,241	25,721	263,887	11,484	8,899	0.77
1981......	104	1,215	60,567	3,066	2,293	0.75
1982......	114	738	34,304	1,719	707	0.41
1983......	105	603	29,541	1,461	1,120	0.77
1984......	123	610	33,382	1,690	1,330	0.79
1985......	144	707	41,037	1,932	1,999	1.03
1986......	145	928	56,717	2,662	2,832	1.06
1987......	143	1,477	98,459	4,518	2,700	0.60
1988......	145	2,053	145,166	6,366	12,411	1.95
1989......	153	2,985	185,686	7,902	8,882	1.12
1990......	173	3,872	255,809	12,430	15,104	1.22
1991......	155	4,057	276,277	13,413	12,618	0.94
TOTAL......	---	---	---	68,643	70,895	1.03

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SUGARCANE						
1967–1980...	181	3,906	98,409	3,232	2,791	0.86
1981......	20	111	15,291	623	758	1.22
1982......	23	114	28,192	1,263	1,015	0.80
1983......	23	85	28,060	1,342	6,615	4.93
1984......	23	72	18,565	885	1,987	2.25
1985......	23	64	13,580	838	712	0.85
1986......	23	50	9,834	628	117	0.19
1987......	23	37	9,702	530	107	0.20
1988......	23	41	8,711	466	5	0.01
1989......	23	43	9,156	489	4,596	9.40
1990......	17	70	10,985	628	1,787	2.85
1991......	23	110	14,380	949	499	0.53
TOTAL.....	---	---	---	11,873	20,989	1.77
SUNFLOWER						
1976–1980...	154	15,167	110,747	7,462	7,686	1.03
1981......	83	6,562	78,183	6,584	4,748	0.72
1982......	106	6,741	83,300	6,939	9,837	1.42
1983......	108	4,648	43,636	3,586	3,873	1.08
1984......	138	5,553	59,605	4,816	7,483	1.55
1985......	165	5,516	62,953	4,984	18,942	3.80
1986......	165	4,564	41,229	3,477	5,472	1.57
1987......	169	41,068	33,522	2,789	1,530	0.55
1988......	194	5,975	43,995	3,902	8,647	2.22
1989......	219	7,979	59,540	5,418	9,562	1.76
1990......	315	8,884	70,341	6,386	6,345	0.99
1991......	237	9,685	99,843	9,689	7,981	0.83
TOTAL.....	---	---	---	66,012	92,106	1.40
SWEET CORN						
1979–1980...	9	320	1,417	91	54	0.59
1981......	25	191	634	43	48	1.12
1982......	53	269	1,315	92	47	0.51
1983......	53	272	1,452	102	141	1.38
1984......	90	329	2,607	177	80	0.45
1985......	144	400	4,995	310	267	0.86
1986......	159	413	4,497	285	146	0.51
1987......	176	605	7,145	447	226	0.51
1988......	189	1,906	19,356	1,120	1,957	1.75
1989......	199	2,982	27,936	1,637	831	0.51
1990......	166	2,469	26,760	1,613	1,178	0.73
1991......	213	2,261	25,293	1,499	886	0.59
TOTAL.....	---	---	---	7,416	5,861	0.79

GOVERNMENT AND REINSURANCE OPERATIONS
CROP INSURANCE EXPERIENCE BY YEAR 1948–1991
ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	POLICIES EARNED PREMIUM (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
SWEET CORN, FM						
1985......	1	16	2,286	114	310	2.72
1986......	1	36	7,381	411	659	1.60
1987......	1	40	7,671	415	566	1.36
1988......	2	52	9,050	502	601	1.20
1989......	7	42	8,035	477	683	1.43
1990......	10	39	9,448	501	657	1.31
1991......	12	38	9,269	632	225	0.36
TOTAL......	---	---	---	3,052	3,701	1.21
TOBACCO						
1948–1980...	6,210	2,297,418	3,205,336	159,875	166,709	1.04
1981......	308	64,015	969,451	26,600	23,648	0.89
1982......	335	59,928	981,207	26,568	26,385	0.99
1983......	403	52,021	828,398	24,283	71,528	2.95
1984......	489	53,136	832,838	24,609	12,251	0.50
1985......	489	44,713	642,461	18,120	10,682	0.59
1986......	489	34,926	463,188	13,711	23,683	1.73
1987......	494	31,113	518,099	14,907	22,672	1.52
1988......	495	28,931	592,151	16,938	15,308	0.90
1989......	499	28,565	640,184	18,318	30,885	1.69
1990......	728	30,196	726,905	22,162	20,081	0.91
1991......	500	27,934	747,899	24,182	23,554	0.97
TOTAL......	---	---	---	390,273	447,386	1.15
TOMATO						
1963–1980...	181	2,528	11,324	705	529	0.75
1981......	18	57	5,268	296	117	0.40
1982......	21	84	14,074	764	1,957	2.56
1983......	21	185	31,802	1,858	2,582	1.39
1984......	29	279	55,970	3,321	3,487	1.05
1985......	47	302	55,445	3,292	2,110	0.64
1986......	65	299	56,340	3,912	2,040	0.52
1987......	74	268	48,299	3,129	971	0.31
1988......	84	345	58,393	3,721	2,534	0.68
1989......	106	459	77,181	4,944	8,333	1.69
1990......	93	624	86,584	5,649	3,786	0.67
1991......	121	618	102,253	6,515	3,980	0.61
TOTAL......	---	---	---	38,104	32,426	0.85

GOVERNMENT AND REINSURANCE OPERATIONS
CROP INSURANCE EXPERIENCE BY YEAR 1948–1991
ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	POLICIES EARNED PREMIUM (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
TOMATO, FM						
1984......	4	39	14,307	903	5,527	6.12
1985......	4	55	27,876	1,919	11,314	5.90
1986......	13	87	52,446	3,861	5,001	1.30
1987......	26	146	69,385	6,346	3,609	0.57
1988......	26	110	42,307	4,543	1,024	0.23
1989......	49	93	36,578	3,740	3,640	0.97
1990......	41	99	37,736	4,317	10,265	2.38
1991......	54	119	52,073	6,488	3,190	0.49
TOTAL......	---	---	---	32,117	43,570	1.36
TUNG NUT						
1965–1970...	6	177	458	90	67	0.74
TOTAL......	---	---	---	90	67	0.74
WALNUT						
1984......	22	71	2,621	148	116	0.78
1985......	29	51	1,842	102	7	0.07
1986......	29	48	2,005	109	322	2.95
1987......	29	50	2,118	116	18	0.16
1988......	29	48	1,870	96	24	0.25
1989......	29	86	2,901	146	296	2.03
1990......	19	88	3,889	180	291	1.62
1991......	29	127	7,735	374	92	0.25
TOTAL......	---	---	---	1,271	1,166	0.92
WHEAT						
1948–1980...	18,633	3,031,885	6,682,338	472,273	497,712	1.05
1981......	942	73,690	999,931	75,533	73,025	0.97
1982......	2,820	87,614	1,265,379	98,337	86,192	0.88
1983......	2,830	67,789	779,814	57,000	50,072	0.88
1984......	2,848	71,084	999,014	73,426	117,799	1.60
1985......	2,848	80,795	1,183,489	89,927	222,512	2.47
1986......	2,849	74,860	1,088,436	69,248	118,003	1.70
1987......	2,849	75,824	851,916	56,253	57,898	1.03
1988......	2,849	91,284	1,050,488	75,405	296,532	3.93
1989......	2,849	143,599	1,797,771	138,376	315,701	2.28
1990......	3,347	193,310	2,434,133	199,204	178,842	0.90
1991......	2,853	145,090	1,588,813	129,098	183,174	1.42
TOTAL......	---	---	---	1,534,080	2,197,462	1.43

GOVERNMENT AND REINSURANCE OPERATIONS
CROP INSURANCE EXPERIENCE BY YEAR 1948 – 1991
ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	POLICIES EARNED PREMIUM (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
PUERTO RICO REINSURANCE						
1968 – 1978...	---	0	11,883	618	90	0.15
1983......	---	3,495	35,314	2,151	795	0.37
1984......	---	3,814	37,948	1,826	4,929	2.70
1985......	---	0	0	0	0	0.00
1986......	---	71	6,369	1,217	102	0.08
1987......	---	2,271	45,410	1,416	0	0.00
1988......	---	2,310	48,299	1,567	0	0.00
1989......	---	3,020	57,324	1,789	7,963	4.45
1990......	---	3,493	65,973	2,038	48	0.02
1991......	---	2,280	44,649	1,340	5	0.00
TOTAL......	---	---	---	13,962	13,932	1.00

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	POLICIES EARNED PREMIUM (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
GRAND TOTAL						
1948 – 1980	71,279	10,503,243	26,721,749	1,419,456	1,562,207	1.10
1981	5,869	418,631	5,982,033	379,169	408,101	1.08
1982	14,498	387,692	6,133,354	398,671	528,157	1.32
1983	15,415	314,401	4,405,594	291,353	587,691	2.02
1984	18,044	394,258	6,645,448	435,588	639,969	1.47
1985	18,765	415,217	7,167,604	439,733	684,364	1.56
1986	19,027	407,096	6,246,488	381,753	616,993	1.62
1987	19,263	472,251	6,134,854	366,640	369,163	1.01
1988	19,508	461,630	6,992,087	437,654	1,053,775	2.41
1989	20,193	951,679	13,666,766	820,763	1,215,763	1.48
1990	21,085	897,375	12,882,284	838,040	1,028,581	1.23
1991	21,373	708,280	11,270,369	737,146	953,257	1.29
GRAND TOTAL	264,419	16,331,753	114,248,627	6,945,986	9,648,021	1.39

GOVERNMENT OPERATIONS - SUMMARY OF EXPERIENCE 1939-1991
(dollars in thousands)

Year	Amount of Protection	Premium	Indemnities	Premium (As %of Protection)	Indemnities (As % of Protection)	Loss Ratio
1939-47	$ 1,564,916	$147,241	$218,543	9.4%	14.0%	1.48
1948-80	26,721,749	1,419,456	1,562,207	5.3%	5.8%	1.10
1981	5,797,132	366,361	398,751	6.3%	6.9%	1.09
1982	4,856,758	320,659	458,459	6.6%	9.4%	1.43
1983	2,778,428	184,108	404,867	6.6%	14.6%	2.20
1984	2,654,807	175,590	254,578	6.6%	9.6%	1.45
1985	1,868,678	117,402	211,577	6.3%	11.3%	1.78
1986	1,228,998	77,701	122,082	6.3%	9.9%	1.57
1987	974,573	60,941	68,191	6.3%	7.0%	1.12
1988	959,077	63,991	153,394	6.7%	16.0%	2.40
1989	1,309,529	91,737	149,455	7.0%	11.4%	1.63
1990	1,311,334	96,225	162,884	7.3%	12.4%	1.69
1991	1,111,878	80,487	101,088	7.2%	9.0%	1.26
1939-91	$53,137,857	$3,201,899	$4,266,076	6.0%	8.0%	1.33

FCIC OPERATING EXPERIENCE - CROP YEAR 1991

Government insurance operations for crop year 1991 show indemnities exceeding premium by $20.6 million with a loss ratio of 1.26. The amount of protection for crop year 1991 was $1.1 billion.

Premium Income

For the crop year 1991, net farmer premium for government operations totaled $60.3 million. Federal subsidy of $20.1 million, added to the net farmer premium income, resulted in total premium income for government operations of $80.4 million, which represents an overall decrease of $15.7 million (or about 6 percent) from crop year 1990.

Indemnities

The crop year 1991 indemnities totaled $101.0 million with a loss ratio of 1.26. Wheat, soybeans, and corn with indemnities of $32.4 million, $7.8 million, and $14.6 million and loss ratios of 1.62, .96, and 1.23, respectively, accounted for 54 percent of the total dollar loss.

REINSURANCE OPERATIONS - SUMMARY OF EXPERIENCE 1981-1991
(dollars in thousands)

Year	Amount of Protection	Premium	Indemnities	Premium (As % of Protection)	Indemnities (As % of Protection)	Loss Ratio
1981	$184,901	$12,808	$9,350	6.9%	5.1%	0.73
1982	1,276,596	78,012	69,698	6.1%	5.5%	0.89
1983	1,627,166	107,245	182,824	6.6%	11.2%	1.70
1984	3,990,638	259,998	385,391	6.5%	9.7%	1.48
1985	5,298,926	322,331	472,787	6.1%	8.9%	1.47
1986	5,017,490	304,052	494,911	6.1%	9.9%	1.63
1987	5,160,281	305,699	300,972	5.9%	5.8%	0.98
1988	6,033,010	373,663	900,381	6.2%	14.9%	2.41
1989	12,357,237	729,026	1,066,308	5.9%	8.6%	1.46
1990	11,570,950	741,815	865,697	6.4%	7.5%	1.17
1991	10,158,491	656,679	852,169	6.5%	8.3%	1.30
1981-91	$62,675,686	$3,891,328	$5,600,488	6.2%	8.9%	1.44

Note: Totals include Puerto Rico Reinsurance.

REINSURANCE OPERATING EXPERIENCE - CROP YEAR 1991

Reinsurance operations for crop year 1991 show indemnities exceeding premium by $195.4 million with a loss ratio of 1.30. The amount of protection for crop year 1991 was $10.1 billion.

Premium Income

For crop year 1991, net farmer premium for reinsurance operations totaled $492.6 million. Federal subsidy of $164.1 million, added to the net farmer premium income, resulted in total premium income for reinsurance operations of $656.7 million, which represents an overall decrease of $85.1 million (or almost 12 percent) from 1990 crop year.

Indemnities

The crop year 1991 indemnities totaled $852.2 million with a loss ratio of 1.30. Wheat, soybeans, cotton, and corn with indemnities of $150.7 million, $89.7 million, $173.1 million and $196.8 million and loss ratios of 1.38, 1.03, 2.03, and 1.20, respectively, accounted for 71 percent of the total dollar loss.

TUESDAY, MARCH 30, 1993.

SOIL CONSERVATION SERVICE

WITNESSES

GALEN S. BRIDGE, ACTING CHIEF

MANLY S. WILDER, DEPUTY CHIEF FOR STRATEGIC PLANNING AND BUDGET ANALYSIS

GARY A. MARGHEIM, DEPUTY CHIEF FOR PROGRAMS

ROBERT R. SHAW, DEPUTY CHIEF FOR TECHNOLOGY

SHERMAN L. LEWIS, DEPUTY CHIEF FOR MANAGEMENT

JUDITH C. PALENSKY, DIRECTOR, BUDGET PLANNING AND ANALYSIS STAFF

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

Mr. DURBIN. Good morning. Welcome to this meeting of the Subcommittee on Agriculture and Rural Development of the House Appropriations Committee. This morning, we have testifying before us the Soil Conservation Service from the U.S. Department of Agriculture.

The witnesses include Galen Bridge, the Acting Chief; Manly Wilder, the Deputy Chief for Strategic Planning and Budget Analysis; and Gary Margheim, the Deputy Chief for Programs. Also appearing are Robert Shaw, Sherman Lewis, and Judith Palensky from the Soil Conservation Service; and Steve Dewhurst, budget officer from the Department.

Mr. Bridge, thanks for joining us. Your testimony will be made part of the record in its entirety. We invite you to summarize your remarks at this point.

OPENING REMARKS BY MR. BRIDGE

Mr. BRIDGE. Thank you, Mr. Chairman, and members of the committee. I appreciate the opportunity to be here today, and discuss the programs of the Soil Conservation Service. I will just make a few brief remarks. And as you indicated, I will submit the statement for the record.

The mission of the Soil Conservation Service, briefly stated, is to provide leadership and administer programs to help people conserve, improve, and sustain our natural resources and environment.

We provide the technical assistance component of USDA's overall conservation program. There is no question that agriculture is facing greater challenges than ever when it comes to meeting public demands for environmental protection. Agriculture has been identified as a major contributor for instance to non-point source water pollution.

In fact, water quality is the most rapidly emerging issue impacting agriculture today, from the standpoint of both environmental concerns and public health concerns.

Over three-fourths of our remaining wetlands are in private ownership, much of it in agriculture. The land use and management decisions made on this land will largely determine the fate of our remaining wetlands and the success of creating new ones.

Protection and restoration of habitat for threatened and endangered species is another related issue. Obviously, agriculture has a major role to play in achieving progress towards solving these and other environmental problems for the benefit of all citizens. Conservation and environmental protection will therefore continue to be a strong focus of the Department of Agriculture.

USDA has historically encouraged voluntary conservation measures by farmers. Through its vast network of county offices, USDA has the institutional framework in place to deliver education, technical assistance, and financial assistance to farmers, ranchers, and landowners, and has been doing so for more than fifty years.

SCS serves a broad range of customers, including farmers, ranchers, and other federal agencies, state and local government, and other landowners through our locally based delivery system.

Our assistance is technology based, translating research results from practical experience to on the ground solutions through the expertise of a trained professional work force.

SCS delivers most of its technical assistance through nearly 3000 local Soil Conservation Districts that are units of state government operated locally by elected officials, and that cover about 98 percent of the nation's non-federal lands.

The federal, state, local, and private sector partnership enables us to address national priorities within the context of local needs, a grassroots approach to identifying and solving problems.

Some of the long term benefits resulting from conservation assistance include reduced erosion and sedimentation, cleaner water, reduction of health hazards, improved fish and wildlife habitats, protection of wetlands, and flood prevention; and a healthy agricultural production system that is the envy of the world. One that we hope is not overly constrained by ill-conceived regulation.

As you know, we are currently devoting a major portion of our available resources to helping farmers implement conservation compliance plans on highly erodible cropland, as required by the Food Security Act of 1985.

This effort involves 1.6 million plans covering 140 million acres of highly erodible lands, or about one-third of the total cropland in the country. About 58 percent of the planned acreage is now fully implemented with conservation practices and work is under way to complete the remaining practices. A significant part of this work does remain to be done by farmers during calendar years 1993 and 1994.

We will continue to prioritize our resources towards those states where the work load is the largest. We do not want any farmers or ranchers to have their USDA program benefits jeopardized because our assistance was not available.

We also provide the technical assistance for implementing the Conservation Reserve and Wetland Reserve Programs. Current pro-

jections are that fully implemented compliance plans combined with the grass and trees planted on land enrolled in the Conservation Reserve Program will reduce soil erosion on highly erodible crop land in the U.S. by about 65 percent from the pre-compliance levels.

That is my statement in brief. Thank you. And I would be happy to respond to questions.

[CLERK'S NOTE.—The biography of the Deputy Chief for Management appears on page 275. The Acting Chief's prepared statement appears on pages 276 through 287. The budget justifications, which were received by the Subcommittee on May 10, 1993, appear on pages 710 through 994.]

SWAMPBUSTER ENFORCEMENT

Mr. DURBIN. Thank you very much. Let me ask you a few questions. There was an Associated Press story that came out a few days ago suggesting that a report was coming from the Office of the Inspector General about Swampbuster provisions. Have you had a chance to see that report?

Mr. BRIDGE. I briefly read that report; yes, sir.

Mr. DURBIN. Some of the information in there is troubling. The auditors in the Inspector General's Office have chosen several counties across the United States to determine whether or not farmers are being paid the appropriate amount for compliance with Swampbuster provisions. Let me read a few of the things that they found and ask for your reaction.

Auditors sampled requests from 19 farmers in three counties for exemptions from wetland provisions. Six farmers collected nearly $1.2 million in benefits from 1987 to 1990 that should have been denied, the report found. Nine of those requests contained wrong information or were filed late. Another study found that the government granted improper exemptions from the Swampbuster requirements in 11 out of 30 randomly chosen cases.

The report went on to conclude that the Soil Conservation Service, which you represent, as well as the ASCS, relied too heavily on information supplied by farmers, and that although the auditors did not accuse the farmers of fraud, the report said farmers should be penalized for providing incorrect information. Do you think this is an accurate portrayal of the pay-outs being made by the Department?

Mr. BRIDGE. I would think that it is partly accurate, although I think that it is a very limited sample in terms of what is really happening. I think that one of the real issues that OIG is obviously concerned about is the self-certification process as it relates to wetlands.

We have not put in place a system that goes out and randomly checks five percent of the producers like we do on highly erodible land. And I suspect that there are people doing things that are falling through the cracks. Wherever our people discover wetland conversions and are aware of those, we do report them to ASCS, and we do it very diligently.

Mr. DURBIN. Are you saying that you do not have the resources to follow-up and make sure that farmers are reporting accurate information?

Mr. BRIDGE. I think that it is a combination of things. Certainly, we do not have the staff to go out and police that kind of an operation. I think that there is also a great concern that there would be a tremendous backlash in the countryside if we get overly aggressive about doing it. We need to do that rather realistically, but at the same time fully implement the law as we are required to do it.

Mr. DURBIN. Your statement is curious. When we talk about the Food Stamp Program, the general sentiment is turn the investigators loose, and let them find those people who are gouging the federal government for $100 or $200 worth of food stamps, and if they are in any way misstating their eligibility or trying to use their food stamps fraudulently, they should face the full brunt of the law. Yet you tell me that to enforce this law may create a backlash among farmers. I wish you would tell me a little bit about what you mean by that.

Mr. BRIDGE. Do not misread me there. I think that there is a lot of concern. And some of it relates to 404 permitting, and the lack of clear definitions related to the discussion around the last Administration's proposal to change wetlands manuals. There is lots of disagreement over what a wetland is out there.

But for those wetlands that we are mapping, and we have defined what those are, we are doing the best job that we know how, Mr. Congressman, in terms of reporting those to ASCS. There are lots of exemptions. And I am not going to sit here and talk about what ASCS has done with our determinations and so on. But we do have a very heavy reliance on farmer certification, merely because we cannot cover 1.6 million farms in this country.

Mr. DURBIN. If the IG's sample is a good sample and one-third of the requests were improperly funded with incorrect payments given to six farmers of $1.2 million from 1987 to 1990, this suggests we are talking about large sums of taxpayer money being paid out through a program, which has been approved in Congress, and which in fact is being paid out incorrectly at best and fraudulently at worst.

Now that would lead me to conclude that we need some more cops on the beat in order to determine whether or not this is an isolated case or represents an overall problem that is costing us substantial sums of money. Would you agree?

Mr. BRIDGE. I could agree with you that it would take much more oversight than what we are providing today to achieve full compliance with the wetland provisions.

Mr. DURBIN. What kind of oversight are you presently providing?

Mr. BRIDGE. The current oversight is that farmers come in, and they check off whether they want to manipulate a wetland and so on. And they are required to get our services to check to see if they have a wetland on that farm. We go out and take a look at that.

And if they have already converted a wetland, we have to report back to ASCS that they are in violation. If they have not converted anything to date, we map any wetlands, give them the map, and tell them that they will be out of compliance if they proceed with any manipulation.

We have picked up, for instance, in 1991 412 farms that had violations on them.

Mr. DURBIN. What was the total number of farms?

Mr. BRIDGE. Every farm does not have wetlands. But I would guess probably out of a million farms.

Mr. DURBIN. A million?

Mr. BRIDGE. There are at least a million wetlands out there. ASCS denied farmers $675,000 on 259 farms during 1992.

Mr. DURBIN. So once they are found to have misstated the use of the land, they are disqualified from the program.

Mr. BRIDGE. That is right.

Mr. DURBIN. Do you think that more is necessary? The reason I ask is that in many areas of enforcement it is felt that taking a few of the worst offenders and enforcing the penalties strictly against them sends a message to others to play straight with the government. Do you agree with that?

Mr. BRIDGE. I do.

Mr. DURBIN. What more could we do and should we do to enforce the law and penalize those who have misstated their farm history?

Mr. BRIDGE. I think that we have got two or three options. We could go out and randomly check some percentage of those farms that do have wetlands currently mapped on them, or not currently mapped.

I think that we must get much more serious with farmers, as they come into the office to sign up for ASCS programs including commodity programs, that self-certification is a very, very serious process on their part. It is like signing the income tax returns.

Mr. DURBIN. I think that is a good analogy.

Mr. BRIDGE. And I think that people have not taken that seriously enough to date. Perhaps we as an agency and collectively, with ASCS, have not been as aggressive as we need to be.

Mr. DURBIN. Have you referred any farmers who have been guilty of providing false or fraudulent information for prosecution?

Mr. BRIDGE. No, we have not, and that would not be our role. We do not make the final determination whether they are in compliance or out of compliance.

Mr. DURBIN. Would ASCS make that determination?

Mr. BRIDGE. That is right. I am not aware of any that have been prosecuted.

Mr. DURBIN. We will take a look into that particular issue.

CURRENT STATUS OF THE WETLAND DETERMINATIONS ISSUE

You are one of four agencies involved in the issue of wetland determinations. Just prior to leaving office, the Bush Administration announced that EPA was abandoning the controversial proposal to narrow the definition of a wetland and would use the same definition the Corps was using. Mr. Richards testified at last year's hearing that because the definition was undergoing change, SCS was not performing wetland determinations unless they were immediately needed. Would you take some time and describe to the Committee what the current status of the wetlands issue is and the events that occurred over the years leading up to this point? Also, tell us what role your agency plays in identifying and delineating

wetlands? Is there a difference between wetlands determination per the national manual and swampbuster determinations?

Mr. BRIDGE. The wetlands issue remains unresolved. The Corps of Engineers and the Environmental Protection Agency have adopted the Corps of Engineers 1987 Wetlands Delineation Manual for administering Section 404 of the Clean Water Act. The Soil Conservation Service never concluded a rulemaking necessary to use the 1989 Manual, and was unable to adopt the Corps of Engineers 1987 Manual for administering swampbuster when rule making on the proposed Federal Manual was indefinitely postponed. We are currently using delineation procedures equivalent to the criteria and procedures contained in the 1989 Federal Manual jointly adopted by the Soil Conservation Service, Corps of Engineers, Environmental Protection Agency, and the Fish and Wildlife Service. Full resolution of the issue and adoption of uniform criteria and delineation procedures will probably not be possible until the wetlands study being conducted by the National Academy of Sciences is completed.

The wetlands delineation issue grew out of problems with implementation of the 1989 Federal Manual. Two years of experience with its implementation convinced policy makers it was having unintended impacts and revisions should be made. Proposed revisions were published in the Federal Register on August 14, 1991, and then the public debate on the issue began in earnest. The previous Administration did not resolve the issue before leaving office. In the interim, the Corps of Engineers and the Environmental Protection Agency both chose a common solution for Section 404—1987 manual criteria. The Soil Conservation Service is working with both these agencies, but has not yet adopted an approach it considers satisfactory.

The Soil Conservation Service identifies and delineates wetlands on agricultural land and lands which have potential for conversion to agricultural uses. It provides information landowners and operators need for conserving wetlands and remaining eligible for USDA program benefits.

WETLAND DETERMINATIONS

Mr. DURBIN. Your agency has stated in the past that a total of 3 million swampbuster determinations will be needed. Is this still accurate?

Mr. BRIDGE. Yes, we believe that approximately three million wetland determinations will have to be made.

Mr. DURBIN. How many determinations have been completed to date?

Mr. BRIDGE. To date, about one half, or 1.5 million, of the determinations are completed using the wetland criteria that has been used since 1986. If these criteria do not change, then SCS still has about 1.5 million determinations to complete. However, if the National Academy of Sciences study results in a change in criteria, this change may affect existing determinations.

Mr. DURBIN. How many determinations are there currently pending before you?

Mr. BRIDGE. As of April 1, 1993, there were 38 appeals concerning conservation compliance on highly erodible lands and 59 concerning FSA wetlands appeals pending at the National level.

Mr. DURBIN. What percent is this of total determination?

Mr. BRIDGE. SCS has no data on the number of appeals filed or pending at the lower levels, but it is estimated that about 3 percent of appeals that begin at the local level are ultimately appealed to the Chief. We are presently developing a system to track all appeals and expect it to be fully implemented by August 1993. The proportion of wetland appeals to determinations is quite small. Using the information that we currently have, 50 wetland appeals for 1.5 million wetland determinations is 0.0039 percent.

ENFORCEMENT OF COMPLIANCE PLANS

Mr. DURBIN. There was another press report recently concerning the determination by your agency as to whether or not farmers are carrying out their conservation plans as they are supposed to under the law. In your testimony, you mentioned that by 1994 all farmers are to have such a plan in place.

What I found interesting about this article was a suggestion of what happens if a farmer appeals a penalty imposed by your agency.

Let me give you some examples that were cited in this Chicago Tribune article of March 21st. In my home state of Illinois, there were some 223 farmers who had been penalized for not having their farms in compliance. Of those who appealed, more than half won their appeals and were reinstated.

This is a pattern which repeats itself in Indiana, Iowa, Missouri, and Wisconsin, which raises a couple of questions in my mind. First is whether or not you are making a good determination at the outset as to whether a penalty is necessary; and secondly is whether the appeal process is in fact a valid process where the government's case is being argued aggressively and with any degree of success.

Would you tell me what your response is to this?

Mr. BRIDGE. Well, first, my response is that I think that our field people are doing an outstanding job, in terms of trying to make the decisions related to compliance, and whether people are really actively applying those plans or not.

We have some situations where we do provide some exemptions. It can be weather related. We have had a lot of floods. We have had some serious storms in the country. If those conditions are beyond the producer's control, we provide an exemption this year and say to the producer, we are going to check you next year to make sure that you are in compliance.

There are a couple of other situations where exemptions are made. A person may be very, very close to compliance, but just not quite there in terms of residue levels and those types of things. We call that a minimal impact thing. There are other cases in terms of personal hardships, which I can describe as being eaten up by the combine. A person has very serious health problems and cannot quite get with it.

But of those that we have screened, of those that we have put through the appeal process, I think I can defend quite well. I know

of none that have reached my desk at the national level, which is the last level of appeal, that have been reversed by the head of the agency. We have supported our field people all the way through on this.

Now there are some other appeal processes on the other side with ASCS. We have the graduated penalty that comes into play. So we have got a mix in that one.

Mr. DURBIN. Well, this is a situation where over a six year period of time, in my home state of Illinois, 223 farmers were penalized, and of the appeals that took place, more than half were reversed, with decisions made in favor of the farmer. Two hundred and twenty three farmers over a six year period is a very low number to start with, and then to have that kind of track record on appeals raises some questions about this process. Are you suggesting that it might not have been an appeal from a Soil Conservation Service decision?

Mr. BRIDGE. I would suggest that some of them were, but I am not sure. I would also think that many of those appeals might have been looked at in terms of some of those exemptions.

Now in the 1991 crop year, we provided the opportunity for people to reschedule practices to a later year, because we did not have our plans up to snuff, and did not think that we could enforce them based on the plans that we had in place. So there were a lot of exemptions centered around that.

For the 1992 crop year, we did not permit that to happen. And I just feel pretty solid about the decisions that we are making up to now.

INSTALLATION OF 1985 FARM BILL CONSERVATION PLANS

Mr. DURBIN. The 1985 Farm Bill required all farmers to have an approved conservation plan on all highly erodible cropland by December 31, 1989 in order to continue their eligibility for program benefits. The law requires these measures be installed by December 31, 1994. What is the status of this initiative? What percentage of acreage is in compliance to date?

Mr. BRIDGE. Since the passage of the 1985 Farm Bill, SCS provided technical assistance to plan 140,798,726 acres of highly erodible cropland. Producers have completed and fully applied conservation practices on 81,248,221 acres. This means that 58 percent of the acres that are required by law to have conservation systems fully implemented by December 31, 1994 have complied.

TECHNICAL ASSISTANCE REQUIREMENTS FOR THE 1985 FARM BILL DEADLINES

Mr. DURBIN. Do you have enough resources to assist all farmers in meeting this deadline?

Mr. BRIDGE. The Soil Conservation Service has worked in partnership with conservation district personnel, county and state personnel, volunteers, contractors and others to meet the 1985 Farm Bill deadlines. The remaining 42 percent of cropland that require implementation of conservation systems are the more difficult acres to complete. Many of these acres require structural practices to meet conservation compliance. To help producers complete their

compliance plans, it will be difficult, but farmers may also receive assistance from conservation district personnel, county and state personnel, volunteers, and contractors. I also believe that our own employees will volunteer additional unpaid overtime, as they have in the past, to make sure that no farmer who wishes to install their conservation plan before the deadline falls because technical assistance is unavailable.

PRIORITY LIST OF CONSERVATION COMPLIANCE WORKLOAD BY STATE

Mr. DURBIN. Your statement says that you will prioritize your resources toward those states where the workload is heaviest. Would you provide a prioritized list of these states for the record.

Mr. BRIDGE. We will provide a summary table of those states that still have a significant workload related to complying with Food Security Act of 1985 in priority order.

[The information follows:]

CONSERVATION COMPLIANCE PLANS COMPLETED AND FULLY APPLIED

State	ACRES PLANNED	ACRES COMPLETED	ACRES BALANCE	PERCENT COMPLETED	PERCENT BALANCE
IOWA	11,589,548	3,629,430	7,960,118	31.3	68.7
MONTANA	14,154,874	7,831,910	6,322,964	55.3	44.7
TEXAS	12,664,416	8,405,417	4,258,999	66.4	33.6
COLORADO	8,889,660	5,101,428	3,788,232	57.4	42.6
MISSOURI	6,455,155	3,420,463	3,034,692	53.0	47.0
NEBRASKA	9,949,465	6,960,014	2,989,451	70.0	30.0
KANSAS	12,788,120	10,076,748	2,711,372	78.8	21.2
ILLINOIS	5,032,614	2,468,414	2,564,200	49.0	51.0
OKLAHOMA	5,083,514	2,572,167	2,511,347	50.6	49.4
WASHINGTON	3,638,288	1,466,345	2,171,943	40.3	59.7
NORTH DAKOTA	7,491,209	5,378,844	2,112,365	71.8	28.2
IDAHO	3,245,983	1,139,362	2,106,621	35.1	64.9
INDIANA	2,627,166	930,816	1,696,350	35.4	64.6
KENTUCKY	3,277,416	1,804,393	1,473,023	55.1	44.9
PENNSYLVANIA	2,474,248	1,105,786	1,368,462	44.7	55.3
WISCONSIN	3,318,025	1,966,974	1,351,051	59.3	40.7
SOUTH DAKOTA	3,983,429	2,746,139	1,237,290	68.9	31.1
TENNESSEE	2,934,742	1,712,023	1,222,719	58.3	41.7
VIRGINIA	1,670,159	487,196	1,182,963	29.2	70.8
MINNESOTA	2,215,886	1,099 820	1,116,066	49.6	50.4
ALABAMA	1,568,018	637,889	930,129	40.7	59.3
NORTH CAROLINA	1,475,911	723,282	752,629	49.0	51.0
NEW YORK	1,202,063	504,894	697,169	42.0	58.0
NEW MEXICO	1,798,765	1,231,034	567,731	68.4	31.6
CALIFORNIA	824,487	263,119	561,368	31.9	68.1
MISSISSIPPI	1,685,786	1,255,426	430,360	74.5	25.5
WYOMING	1,163,876	812,006	351,870	69.8	30.2
OREGON	1,553,326	1,206,288	347,038	77.7	22.3
MICHIGAN	701,086	429,234	271,852	61.2	38.8
OHIO	1,416,434	1,153,793	262,641	81.5	18.5
MARYLAND	366,624	163,891	202,733	44.7	55.3
ARKANSAS	556,087	397,129	158,958	71.4	28.6
GEORGIA	744,323	614,808	129,515	82.6	17.4
UTAH	468,985	344,682	124,303	73.5	26.5
SOUTH CAROLINA	410,080	294,839	115,241	71.9	28.1
FLORIDA	236,740	167,535	69,205	70.8	29.2
NEVADA	199,007	140,756	58,251	70.7	29.3
HAWAII	114,879	60,322	54,557	52.5	47.5
VERMONT	128,941	77,556	51,385	60.1	39.9
MAINE	152,185	101,677	50,508	66.8	33.2
LOUISIANA	236,254	187,501	48,753	79.4	20.6
NEW JERSEY	78,978	36,838	42,140	46.6	53.4
ALASKA	52,000	28,000	24,000	53.8	46.2
WEST VIRGINIA	100,291	76,553	23,738	76.3	23.7
CONNECTICUT	19,237	5,458	13,779	28.4	71.6
MASSACHUSETTS	18,057	9,907	8,150	54.9	45.1
DELAWARE	9,895	2,522	7,373	25.5	74.5
PUERTO RICO	9,270	3,033	6,237	32.7	67.3
ARIZONA	16,839	10,978	5,861	65.2	34.8
NEW HAMPSHIRE	5,611	3,048	2,563	54.3	45.7
RHODE ISLAND	774	534	240	69.0	31.0

QUALITY CONTROL AND CONSISTENCY OF COMPLIANCE ACTIVITIES

Mr. DURBIN. Also in your statement, you state that a number of concerns have surfaced regarding quality control processes and overall consistency with compliance activities. Describe this in further detail and tell us what you are doing to address these concerns.

Mr. BRIDGE. These concerns have to do with: the poor quality of some of the conservation compliance plans that were developed by SCS and producers in order to meet the planning deadline; the adequacy of Soil Conservation Service documentation of findings during status reviews; and the quality and effectiveness of management controls to ensure that our agency is properly implementing the conservation provisions of the 1985 and 1990 Farm Bills—FSA and FACTA.

To address these concerns, we issued guidance in the SCS National Food Security Act Manual in early 1991 to SCS field offices on requirements for conservation plan narratives. We are using a mandatory status review and quality review worksheet for all status reviews to be done in 1993 to ensure that complete and consistent data are collected. We have established regional quality oversight teams under the direction of the four assistant chiefs to conduct reviews in each state to monitor FSA and FACTA implementation. In addition, we have been working with the ASCS to coordinate USDA field operations by improving the way we share information about compliance activities.

LAND SUBJECT TO THE 1985 FARM BILL CONSERVATION COMPLIANCE PROVISIONS

Mr. DURBIN. If I understand this correctly, conservation compliance does not apply to excessively eroding rangeland, pastureland, forest land, or cropland that does not meet the technical criteria as predominantly highly erodible. Define this criteria for the record.

Mr. BRIDGE. The basic concept of FSA is that any person who produces an agricultural commodity on a field where highly erodible land predominates shall be ineligible for certain USDA benefits unless there is a conservation compliance plan. The plan must be fully implemented by the end of 1994. The phrase "produces an agricultural commodity" limits the scope of the FSA to cropland, since an agricultural commodity is any crop planted and produced by annual tilling the soil. Highly erodible land is considered to be predominant on the field if ⅓ or more of the total field acreage, or 50 or more acres in a field, is made up of soil map units which are identified as highly erodible. A soil map unit is highly erodible if the potential maximum erosion rate exceeds 8 times the soil loss tolerance rate for the soil map unit.

Mr. DURBIN. We are coming down to a pretty tough deadline here in 1994.

Mr. BRIDGE. You bet we are.

Mr. DURBIN. I do not know if we can make it.

Mr. BRIDGE. We have got 40 percent of those producers left to be in compliance. They are probably the toughest ones that we have got. They have delayed the implementation of practices to the last two years. There is probably a lot of structural work involved in

terms of terraces, and waterways, and so on. I think that it is going to be a very difficult two years for the agency.

Mr. DURBIN. It is going to be tough, in light of the two reports that I have just mentioned. It does not make it any easier. The farmers who have not come into compliance can read these articles and talk to their friends. If they want to draw conclusions, the first conclusion they might draw is "Don't worry what you report they don't check it anyway." And the second conclusion that they could draw is, "Even if they penalize you, the chances are one out of two you are going to win on appeal anyway." So how do you take the process seriously?

Mr. BRIDGE. I just do not agree with that. I think that the process is very serious. I saw the results of a poll the other day that was statistically designed and conducted by Dick Essex from the University of Illinois, I think.

Mr. DURBIN. That is a good start.

Mr. BRIDGE. He polled a thousand farmers in this country that have highly erodible land on their farm, and he asked a number of questions. The first one was do you have a reasonable plan, are you getting the kind of assistance you need, is it going to have a serious adverse economic impact on you. About 70 percent said no, it is not.

He asked questions about do you expect you are going to get caught if you are not in compliance. Somewhere around 65 percent said we are almost certain that we will get caught.

The whole tone of the survey was that people are serious about compliance, that they are very scared about it. I think that we have got the thing moving in our direction. I think that people are very serious about compliance. The bottom line is that we are absolutely seeing record rates of conservation practices being applied to the countryside which we have never experienced.

So I think that we have got the thing at least moving. We have struck about the right balance in terms of the oversight and the requirements we are imposing.

BENEFITS OF CONSERVATION RESERVE PROGRAM

Mr. DURBIN. Let me move to one other area of questioning, and that relates to the Conservation Reserve Program. I recently asked the General Accounting Office to do a study on this program, and to address two issues. The first being the balance between the cost to enroll the land in the program and the environmental benefits received; and the second being the comparison of CRP to other conservation programs designed to reduce the environmental impact of agriculture.

What the General Accounting Office concluded was that they could not definitively determine if there was a balance between cost and environmental benefits, but the program is an expensive way to reduce environmental problems associated with agriculture production and postpones rather than resolves the environmental problems. In addition, they concluded that other conservation programs use less costly strategies, cover more acres of crop land, and provide environmental benefits that are more permanent because

they require farmers to make changes to their land or farming practices.

In fiscal year 1993 the CRP is going to cost us $1.6 billion for the 36.5 million acres currently enrolled. According to the GAO, other conservation programs cost an estimated $630 million and cover 170 million acres. I would like to have your opinion as to whether or not these GAO conclusions are accurate?

Mr. BRIDGE. My first reaction is that the Conservation Reserve Program has been a fairly expensive experiment, although one needs to amortize the annual cost over some period of time, hoping that some of that land is going to stay in grass and trees—I keep kidding my colleagues about the fact that the federal government has bought the Great Plains about three times in my career, and we may go through that experience again.

But there are other alternatives. I think that we ought to be making our investments in conservation in the land that we use, the land that we produce our crops on, and put good conservation practices on that, instead of so much concentration on land retirement schemes, because I think that we can work both out.

Now the great experience that we have had as an agency has been in administering the Great Plains Conservation Program. We have been converting cropland to grassland in that program for probably a cost of $20 a year. The overall treatment cost, if you take in all land associated with it, is about $2 to $3 per acre.

So I think that there are other alternatives. Now there have been some tremendous benefits that roll out of the CRP including reduced inputs of nutrients, pesticides, and fertilizers, and those types of things. Obviously, there is a significant reduction of erosion on that 35 or 36 million acres. Then there are the offsetting effects of not having to pay price supports on the crops associated with that land.

These are tough issues in terms of exactly what is the most cost effective approach to conservation. The best approach is to have decent farm income out there, so producers can pay their own way, and then provide the good help, and technical assistance, and research that they need to do the job.

Mr. DURBIN. I do not argue with your conclusions, but I think what the GAO is telling us is that we are spending an awful lot of money and with limited resources, we might direct those resources to more effective conservation practices short of CRP. By reducing the inputs into agriculture on this land we are, in fact, holding back some production by putting land in a conservation reserve program, but we are paying dearly for it in the process. Whether or not this is a good long-term strategy, I am not sure. I think that the budget concerns may drive us to other conclusions.

Mr. BRIDGE. The CRP really started out as one of production control rather than conservation. Now we have quickly rolled it into a conservation kind of an approach, and it has been a very positive one. But you are right.

CONSERVATION PROGRAM FUNDING

Mr. DURBIN. Tell us, from a purely technical standpoint, if you could only fund one conservation program, which one would you choose?

Mr. BRIDGE. All of USDA's conservation programs that we work with provide environmental benefits. However, those programs differ widely in the type and extent of benefits depending on the purposes and program features Congress wrote into the enabling legislation.

If we had to choose only one conservation program, it would be our Conservation Technical Assistance (CTA) program. Virtually all of USDA's conservation work must ultimately depend on the CTA program in order to properly analyze resource problems and formulate effective and economically achievable conservation systems to solve the problems. Without the basic CTA program, each separate program that the conservation system applied are adequate, and correct for solving the problem.

FUNDING FOR CONSERVATION COMPLIANCE

Mr. DURBIN. In their report, GAO also stated that USDA estimates it will spend $245 million in fiscal year 1993 to provide technical assistance under the conservation compliance provisions. Provide a table showing the amount SCS has spent on conservation compliance for each fiscal year since the provisions were first included in the 1985 Farm Bill.

Mr. BRIDGE. I will provide those estimates for the record.

[The information follows:]

Conservation Compliance Expenditures

[Thousands]

Year:	*Amount*
1986	$57,532
1987	165,993
1988	183,219
1989	193,347
1990	198,347
1991	213,131
1992	238,960
1993	245,093

FUNDING FOR CONSERVATION COMPLIANCE

Mr. DURBIN. Provide a table showing the cost of technical assistance that your agency provided to each conservation program in fiscal year 1992 and your estimates for fiscal years 1993 and 1994.

Mr. BRIDGE. Technical assistance is provided under the authority of each appropriation account of the Soil Conservation Service and under reimbursable agreement with other federal, state and local entities. These activities are reflected in the Salaries and Expenses account of the Farm Service Agency in 1994. The 1994 distribution has not been decided as of now. I will provide this information for the record.

[The information follows:]

SOIL CONSERVATION SERVICE
TECHNICAL ASSISTANCE PROVIDED FOR CONSERVATION PROGRAMS
(Obligations in thousands of dollars)

	1992 Actual	1993 Estimate	1994 Estimate
DIRECT APPROPRIATIONS:			
Conservation Operations:			
Technical Assistance...........	$477,558	$490,186	a/
Soil Surveys...................	72,658	72,554	a/
Snow Surveys & Water Forecast..	5,718	5,713	a/
Plant Materials Centers........	8,056	8,064	a/
TOTAL, Conservation Operations..	563,990	576,517	a/
River Basin Surveys & Invest....	13,151	13,251	a/
Watershed Planning..............	9,519	9,545	a/
Watershed & Flood Prevention Operations:			
P.L. 534 Operations............	15,844	16,518	a/
Emergency Watershed Prev. Oper.	7,912	11,929	a/
P.L. 566 Small Watershed Oper.	64,597	64,467	a/
TOTAL, WFPO.....................	88,353	104,914	a/
Great Plains Conservation Prog..	9,067	8,904	a/
Resource Conser. & Develop.Prog.	31,384	27,944	a/
Total, Appropriated Funds..	715,464	729,075	a/
Rural Abandoned Mine Program....	4,608	4,844	a/
REIMBURSEMENTS:			
Agricultural Conservation Prog..	9,256	9,722	a/
Water Bank Program..............	1,065	400	a/
Emergency Conservation Program..	832	500	a/
Rural Clean Water Program.......	442	500	a/
Conservation Reserve Program....	11,400	9,587	a/
Wetland Reserve Program.........	--	4,526	a/
Colorado Salinity Control Prog..	5,247	5,350	a/
Total, Reimbursements for Conservation Programs.......	28,242	30,585	a/

a/ Note: All these activities are proposed for funding as part of the Salaries and Expenses appropriation account of the Farm Service Agency in fiscal year 1994.

FUNDING FOR CONSERVATION OPERATIONS AND CONSERVATION COMPLIANCE

Mr. DURBIN. Also, provide a table showing the amount appropriated for conservation operations and the amount spent on conservation compliance provisions for each year since fiscal year 1985.

Mr. BRIDGE. We will provide a table for the record showing the amount appropriated for conservation operations and the amount spent on conservation compliance provisions for each year since fiscal year 1985.

[The information follows:]

CONSERVATION COMPLIANCE AND CONSERVATION OPERATIONS EXPENDITURES

[Thousands]

Year	Conservation operations	Conservation compliance
1985	364,920	
1986	348,669	57,532
1987	399,671	165,993
1988	444,391	183,219
1989	465,435	193,347
1990	477,377	198,347
1991	509,509	213,131
1992	564,251	238,960
1993	576,517	245,093

RESOURCE CONSERVATION AND DEVELOPMENT

Mr. DURBIN. The Department of Agriculture performed an evaluation of the Resource Conservation and Development program back in 1987 and concluded that every dollar of financial assistance provided in this program was associated with $14.00 from other Federal sources and $35.00 from non-Federal sources. Has the Department conducted a more recent evaluation of this program? If so, what were the findings and recommendations?

Mr. BRIDGE. The Department has not initiated any RC&D program evaluations since 1987. However, data collected on the 1400 projects completed in FY 1992 indicates that for every RC&D dollar spent, $20 was obtained from other Federal sources and $87 from non-Federal sources.

Mr. DURBIN. I read in last year's hearing record that you assist the Farmers Home Administration's Business and Industry Loan program through the RC&D program. Please describe this initiative in further detail.

Mr. BRIDGE. RC&D councils refer small business persons to the Farmers Home Administration to obtain Business and Industry loans. They also assist these people in completing the necessary application forms. No records are available in SCS as to how many services of this type have been provided.

Mr. DURBIN. Last year you proposed to move toward totally eliminating financial assistance on RC&D projects and only provide technical assistance. Do you propose to do the same thing again for fiscal year 1994?

Mr. BRIDGE. The FY 1994 budget proposes $5,828,000 for financial assistance on RC&D projects, or about the same level that is available for FY 1993.

Mr. DURBIN. How have program sponsors, council members, and cooperators reacted to eliminating financial assistance?

Mr. BRIDGE. The reaction to eliminating financial assistance has not been positive. While sponsors recognize that providing the RC&D coordinator is of highest priority for use of funds, they also see the benefit of a little financial assistance to help leverage against other sources of funding. The RC&D sponsors believe that if cost-sharing were eliminated, there would be less interest on the part of others to participate.

Mr. DURBIN. What has been the impact on RC&D projects from reducing or eliminating cost-share assistance?

Mr. BRIDGE. As financial assistance is reduced, or in some RC&D areas completely eliminated, the impact has been mixed. Some councils have redirected their efforts to projects that can be completely funded from other sources. Others have been slower to make this transition and their productivity has been reduced. In total, however, we are finding that more participation in a wider range of project purposes is occurring as RC&D financial assistance is reduced.

Mr. DURBIN. For the record, provide a ten-year table showing the amount of Federal funds devoted to cost-sharing, the amount of Federal funds provided for technical assistance, the amount of non-Federal funds devoted to cost-sharing, and the amount of non-Federal funds provided for technical assistance.

Mr. BRIDGE. I will provide a ten-year table showing the Federal financial and technical assistance and, for the years where the information is available, the non-Federal contribution.

[The information follows:]

RC&D FEDERAL AND NON-FEDERAL ASSISTANCE

Year	Financial Federal	Technical Federal	Non-Federal assistance
1983	$8,113,032	$21,824,158	*
1984	9,445,821	16,492,404	*
1985	8,740,000	17,524,707	*
1986	8,085,568	17,453,268	*
1987	6,536,078	17,918,918	*
1988	5,300,853	19,233,164	$65,975,000
1989	4,620,811	20,559,546	*
1990	4,200,061	23,145,385	108,073,000
1991	3,947,428	24,339,421	160,465,000
1992	2,234,289	31,383,945	131,132,000

*Information not available.

Mr. DURBIN. Also, provide a ten-year table showing the number of RC&D projects that were initiated, completed, and those ongoing.

Mr. BRIDGE. I will provide for the record a ten-year table that reflects the information requested. We keep records on RC&D project measures adopted, planned, and completed.

[The information follows:]

RC&D MEASURES ADOPTED, PLANNED, AND COMPLETED

Year	Adopted	Planned	Completed
1982	1,757	249	1,352
1983	1,754	329	1,522
1984	2,215	438	1,500
1985	1,392	123	1,103
1986	1,602	58	1,053
1987	1,487	77	1,188
1988	1,647	53	1,303
1989	1,178	347	661
1990	1,642	1,114	1,251
1991	1,919	1,314	1,303
1992	2,381	1,762	1,417

Mr. DURBIN. Please provide a list of the resource conservation and development applications you had on hand at the beginning of 1993.

Mr. BRIDGE. I will provide that list for the record.

[The information follows:]

Resource conservation and development applications on hand

State	Application name
Alaska	Yukon Flats
California	ORE-CAL
Georgia	Golden Triangle
Georgia	Seven Rivers
Idaho	Southwest Idaho
Illinois	Post Oak Flats
Illinois	Wagash Valley
Iowa	Iowa Lakes
Iowa	Iowa Heartland
Kentucky	Gateway
Kentucky	Kentucky River
Kentucky	Lincoln
Kentucky	Thoroughbred
Louisiana	Imperial Calcasieu
Maryland	Western Maryland
Michigan	Timberland
Missouri	Plattee Territory
Nebraska	Five Rivers
Nebraska	Southwest Nebraska
Nebraska	Nebraska Loess Hills
Nebraska	South Central Nebraska
New York	Hudson Mohawk
New York	Ontario Lake Plains
North Carolina	South Central Piedmont
North Carolina	Unifour
North Carolina	Cape Fear
North Carolina	Pilot View
Ohio	Western Reserve
Oklahoma	High Plains
Oregon	Southwest Oregon
Pennsylvania	Mid-State
South Carolina	Pee Dee
South Dakota	Badlands
South Dakota	South Central
Texas	Chisholm Trail
Texas	High Plains
Texas	WES-TEX
Texas	Central Texas
Utah	Mountainland
Utah	Wasatch Front

State	Application name
Virginia	Black Diamond
Puerto Rico	Oriente

RESOURCE CONSERVATION AND DEVELOPMENT APPLICATIONS APPROVED

Mr. DURBIN. Also, provide a list of applications that were approved during fiscal year 1992 and so far in fiscal year 1993.

Mr. BRIDGE. There were 27 applications approved in fiscal year 1992 and 10 approved so far in fiscal year 1993. I will provide that list for the record also.

[The information follows:]

Resource conservation and development applications approved

FY 1992

State	Application name
Alabama	Mid-South
Arkansas	Northwest Arkansas
Colorado	Southeast Colorado
Georgia	Central Savannah River
Hawaii	Garden Island
Idaho	Three Rivers
Illinois	Prairie Rivers
Iowa	M & M Divide
Kentucky	Licking River Valley
Kentucky	Kentucky Heritage
Louisiana	Northeast Delta
Maine	Heart of Maine
Michigan	Saginaw Bay
Minnesota	Pembina Trail
Mississippi	Central Mississippi
Montana	Eastern Plains
New Mexico	Sureste
North Carolina	Blue Ridge
Ohio	Miami Valley
Oklahoma	Cross Timbers
Oklahoma	Tall Grass
Oklahoma	Wheatland
Pacific Basin	Marianas Island
Texas	Piney Woods
Utah	Panoramaland
Virginia	Tidewater
Washington	North-Central Washington

FY 1993

State	Application name
Alabama	Gulf Coast
Georgia	Seven Rivers
Missouri	Osage Valley
Missouri	Prairie Rose
Montana	Northwest Montana
Nebraska	Loup Basin
Nebraska	Northeast Nebraska
North Dakota	Upper Dakota
North Dakota	Williston Basin
Puerto Rico	El Atlantico

RESOURCE CONSERVATION AND DEVELOPMENT LOANS

Mr. DURBIN. Are there any current outstanding RC&D loans?

Mr. BRIDGE. Yes, there are 96 outstanding RC&D loans as of September 30, 1992.

Mr. DURBIN. How long have these loans been outstanding and what is their total value?

Mr. BRIDGE. Some of these loans have been outstanding since 1965 and the total value as of September 30, 1992 is $7,792,000.

STATES WITH EXCESS FARM BILL WORKLOAD

Mr. DURBIN. Last year you provided the committee with a list of 28 states where conservation compliance Farm Bill Workload exceeds available field staff to complete the work. Would you please update this list?

Mr. BRIDGE. The estimates for the Farm Bill workload and available field staff to complete the job are basically unchanged from last year. Overall, the same 28 states in last year's list continue to show that their combined Farm Bill workload is about twice as large as the field staff available to provide technical assistance for conservation compliance. Idaho is added to the list this year because current information indicates that the workload will exceed the available field staff by two staff years. There are also some changes in the state workload to available staff ratios reported in last year's list. The primary reasons for these changes are improved information about the number of field staff available for Farm Bill conservation compliance work, and delays in making wetland determinations.

[The information follows:]

EXCESS FARM BILL WORKLOAD—RATIO OF WORKLOAD TO AVAILABLE FIELD STAFF

State	Workload Ratio	
	1992 Est.	1993 Est.
North Carolina	2.49	3.37
Iowa	2.57	3.15
Kentucky	2.49	2.80
Missouri	2.38	2.74
Montana	2.36	2.73
Pennsylvania	2.10	2.65
Illinois	2.53	2.44
Indiana	2.28	2.41
Tennessee	2.15	2.25
Michigan	1.10	2.22
Kansas	2.16	2.10
North Dakota	2.31	2.05
Oklahoma	1.79	2.05
Wisconsin	2.55	2.04
Washington	2.06	2.00
Oregon	1.90	2.98
Mississippi	1.82	1.94
Nebraska	1.67	1.82
Ohio	1.60	1.81
Texas	1.71	1.77
Alabama	1.71	1.74
Colorado	1.49	1.64
Minnesota	1.82	1.60
Virginia	1.15	1.36
South Dakota	1.55	1.36
Georgia	1.42	1.16
Idaho	0.91	1.04
South Carolina	1.20	1.03
New York	1.02	1.02

INTEGRATED FARM MANAGEMENT PLANS

Mr. DURBIN. SCS develops integrated farm management plans with landowners. How are these plans different from conservation plans or the water quality incentives program?

Mr. BRIDGE. The objectives of IFM are the same as many other programs that reduce soil erosion, improve water quality and provide wildlife habitat. The program does not achieve results through cost-sharing but utilizes a plan whereby a minimum of 20 percent of a crop acreage base may be set aside each year of a 3-5 year plan without reducing crop base, or deficiency payments if acreage enrolled is planted to a resource conserving crop.

Mr. DURBIN. How many plans were developed, what was the total acreage involved in fiscal year 1992 and what are your estimates for fiscal years 1993 and 1994?

Mr. BRIDGE. Although the program stipulates that 5 million acres could be enrolled from 1990-1995, only 96,000 acres were enrolled in the period of 1991-1992. This rate of participation is not expected to change in the 1993-1994 period.

WATER QUALITY INITIATIVE FUNDING

Mr. DURBIN. Please update the table that appears on page 710 of last year's hearing record showing the funding level for the water quality initiatives program to reflect fiscal year 1992 actuals and fiscal years 1993 and 1994 estimates. Also, please show expenditures by State.

Mr. BRIDGE. I will provide that information for the record.

[The information follows:]

FUNDING FOR THE PRESIDENTIAL WATER QUALITY INITIATIVE.—FISCAL YEARS 1989-94

[In millions of dollars]

Activity	Fiscal year				Estimated [1]	
	1989	1990	1991	1992	1993	1994
Technology development	1.0	4.9	7.5	7.6	7.9	7.9
Regional projects	4.1	6.7	7.9	8.3	9.5	9.5
Hydrologic areas		5.2	15.7	16.3	12.3	12.3
Demonstration areas		1.1	4.4	4.6	4.6	4.6
Ongoing projects	8.6	8.6	8.6	8.8	11.7	11.7
Total	13.7	26.5	44.1	45.6	46.0	46.0

[1] 1994 is comparable to prior years and does not include FSA related changes.

Water quality funding by State—FY 1992

Alabama	$997,891
Alaska	188,986
Arizona	442,968
Arkansas	661,981
California	1,565,002
Colorado	713,973
Connecticut	700,503
Delaware	793,464
Florida	1,246,498
Georgia	713,998
Hawaii	275,928
Idaho	673,405
Illinois	584,858

Indiana	379,998
Iowa	1,073,359
Kansas	305,991
Kentucky	574,425
Louisiana	805,139
Maine	609,968
Maryland	1,772,502
Massachusetts	880,385
Michigan	1,552,479
Minnesota	1,038,505
Mississippi	600,001
Missouri	435,006
Montana	333,501
Nebraska	719,500
Nevada	146,000
New Hampshire	264,996
New Jersey	478,924
New Mexico	299,001
New York	1,191,151
North Carolina	1,335,603
North Dakota	233,001
Ohio	1,117,001
Oklahoma	417,000
Oregon	671,648
Pennsylvania	1,450,443
Puerto Rico	577,963
Rhode Island	549,003
South Carolina	649,400
South Dakota	581,476
Tennessee	806,403
Texas	1,872,503
Utah	498,762
Vermont	978,345
Virginia	1,306,290
Washington	1,007,966
West Virginia	669,969
Wisconsin	818,999
Wyoming	254,001
Chester, PA NTC	448,651
Ft. Worth, TX NTC	1,385,250
Lincoln, NB NTC	620,001
Portland, OR NTC	791,265
Pacific Basin	127,258
Washington, D.C.	3,391,028
Total	45,578,515

Mr. DURBIN. Also, update the list that appears on page 711 to include any new designated hydrologic unit in the program.

Mr. BRIDGE. There were no new hydrologic unit areas designated in fiscal year 1992. The listing of 1992 hydrologic unit areas will be provided for the record.

[The information follows:]

FISCAL YEAR 1992 HYDROLOGIC UNIT AREAS

State	Designated in FY 1990	Designated in FY 1991
AL	Ryan/Crooked/Rock Creeks	Sand Mtn/Lake Guntersville.
AZ	West Maricopa	Casa Grande/Coolidge.
AK	Long Creek	Moore's Creek.
CA	Morro Bay	Westside San Joaquin Valley.
CO	Patterson Hollow	
CT	Scantic River	
DE		Inland Bays.
FL	Lake Apopka	Middle Suwannee River.

FISCAL YEAR 1992 HYDROLOGIC UNIT AREAS—Continued

State	Designated in FY 1990	Designated in FY 1991
FL	Karst Cropland	
GA	Little River/Rooty Creek	
HI	Kaiaka-Waialua	
ID	Snake-Pavette	
IL	Little Vermilion	Illinois River Sands.
IN	Tri-County	Upper Tippecanoe.
IA	Syn Magill	Union Grove and Black Hawk.
IA	Three Mile Creek	
KS	Webster Creek	
KY	Taylorsville Lake	
ME		Long/Cross Lakes.
MD	German Branch	
MA	Wachusetts Reservoir	Buzzards Bay.
MI	Wolf Creek	Sycamore Creek.
MN		St. Peter/Praire Du Chien.
MS		Tangipahoa River.
MO	Upper Niangua River	
MT		Godfrey Creek.
NE	Central Blue Valley	Elm Creek.
NH	Upper Connecticut	Great Bay.
NJ	Great Swamp	
NM		Dona Ana/Sierra.
NY		East Sidney Lake.
NC		Goshen Swamp.
ND		Bowman/Haley.
OH	Darby Creek	Indian Lake.
OK	Peacheater Creek	Battle Branch.
OR	Tualatin River	Ontario
PA	Pequea/Mill Creeks	
PR	Lake Loiza	
RI		Pawcatuck.
SC	Lake Bowen	Camping Creek.
SD	Lower Rapid Creek	Richmond Lake.
TN	Beaver Creek	N. Fork Creek/Fall Creek.
TX	Seymour Acqifer	Upper North Bosque.
TX	Lake Fork Creek	
UT	Otter Creek/Koosharem	Little Bear River.
VT		Lower Missisquoi.
VA	Blackwater River	
WA	Granger Drain	
WV		Greenbrier River.
WI		Plover/Whiting Wellhead Area.
WY		Ocean Lake.

DEMONSTRATION PROJECTS

Mr. DURBIN. Sixteen demonstration projects, eight in fiscal year 1990 and eight in fiscal year 1992, were selected to show the effectiveness of conservation practices in treating specific non-point source pollution problems and to promote the use of practices in other areas. Were any additional projects started in 1992? If so, please update the list.

Mr. BRIDGE. There were no new demonstration projects started in fiscal year 1992. The sixteen demonstration projects begun in 1991 and 1992 are still receiving technical assistance.

Mr. DURBIN. Eight projects are in their third year of operation. Have any proven effective enough to expand the practice to other areas? Provide some examples.

Mr. BRIDGE. The demonstration projects are effective in introducing new technology and innovative practices to reduce nonpoint sources of pollution. Examples are crop residue management, animal waste compost facilities, nutrient management, pest management, groundwater pollution risk assessment, constructed wetlands, and filter strips.

Mr. DURBIN. Please update the table that appears on page 715 of last year's hearing record showing the fiscal year 1992 allocations to demonstration project to include new projects, completed projects, and fiscal year 1993 allocations.

Mr. BRIDGE. No new demonstration projects were initiated in fiscal year 1993 and no projects were completed. I will provide for the record a table listing fiscal year 1993 allocations.

[The information follows:]

FY 1993 ALLOCATIONS TO DEMONSTRATION PROJECTS

[In thousands of dollars]

State	Project	Amount
Arkansas	Millwood Lake	$200
California	Sacramento Valley	220
Colorado	San Luis	175
Florida	Lake Manatee Watershed	140
Georgia	Gum Creek	125
Idaho	Snake River Plain	245
Iowa	Northeast Iowa River	200
Maryland	Monocacy River Watershed	366
Michigan	Saginaw Bay	232
Minnesota	Anoka Sand Plain	400
Nebraska	Mid-Nebraska	220
New York	Wallkill-Roundout	155
North Carolina	Herrings Mash Run	200
South Dakota	Big Sioux Aquifer	200
Texas	Seco Creek	357
Wisconsin	East River Watershed	520
Reserve[1]		645
Total		$4,600

[1] Demonstration Project Reserve to be allocated as operating plans are implemented.

REGIONAL WATER QUALITY PROJECTS

Mr. DURBIN. Last year you provided the Committee with a table showing the amount of resources, both personnel and dollars, that were allocated to regional water quality projects for fiscal years 1991, 1992, and 1993. Would you please update this table to reflect fiscal year 1992 actuals, and fiscal years 1993 and 1994 estimates, as well as any new projects that were initiated?

Mr. BRIDGE. There were no new projects initiated. I will provide an updated table for the record.

[The information follows:]

REGIONAL PROJECT ALLOCATIONS, FY 1991–93

[Dollar amounts in thousands]

Regional project	Allocations				Staff years			
	1991	1992	1993	1994	1991	1992	1993	1994
Chesapeake Bay	$4,500	$4,500	$4,500	$4,500	61	61	61	61
Gulf of Mexico	330	250	300	300	8	5	8	8
Land and water	760	800	1,000	1,000	18	18	20	20
Great Lakes	705	980	923	923	16	16	16	16
Other regional authorities	1,605	1,770	2,745	2,745	37	44	49	49
Total	7,900	8,300	9,468	9,468	140	144	154	154

Mr. DURBIN. When do you anticipate each of these projects will be completed?

Mr. BRIDGE. Each regional project is supported by legislative authority and is open ended. These projects will continue until prescribed goals are reached.

Mr. DURBIN. You have implemented an annual water quality progress reporting system for all hydrologic unit areas and demonstration projects. How is this system working? Does it provide enough detail to make a complete analysis of each project's effectiveness?

Mr. BRIDGE. We have developed and implemented a water quality reporting system for capturing progress in the 74 hydrologic unit areas and 16 demonstration projects. This system is called the Automated Data System for Water Quality (ADSWQ). ADSWQ is working well for documenting water quality progress in relation to the technical assistance that SCS provides.

ADSWQ provides data about the producers assisted, water quality practices planned and applied, reduction in the application of mineral and organic nutrients (nitrogen and phosphorus) for the protection of ground and surface water, reduction in the application of pesticides, implementation of wellhead protection measures, increase in the efficiency of irrigation water application, and reduction in salinity and toxic salts entering receiving water bodies. ADSWQ also records projections and estimates of water quality effects from water quality simulation model runs. In addition to ADSWQ, we are conducting an evaluation of the effectiveness of hydrologic unit areas and demonstration projects in solving agricultural water quality problems.

Due to the fact that water quality monitoring is provided, analyzed, and interpreted by cooperators such as state water quality agencies, the Environmental Protection Agency, and the United States Geological Survey, our progress reporting system does not capture this data. Therefore, ADSWQ alone does not provide data to make a complete analysis of the hydrologic unit area and demonstration project impacts on water quality.

Mr. DURBIN. The agencies responsible for providing data for this report are SCS, ASCS, and the Extension Service. Briefly describe each agency's role.

Mr. BRIDGE. Since the USDA Water Quality Initiative and the development of the Annual Progress Report is a cooperative effort, the individual agencies work together to complete the report. SCS

reports and analyzes data with respect to technical assistance that we provide to cooperators of the Hydrologic Unit Areas and Demonstration Projects. The Extension Service analyzes data concerning activities related to educating and informing farmers and ranchers about water quality problems and concerns, as well as their activities in making pesticide recommendations. ASCS provides data concerning the financial assistance aspects of cost-sharing for implementation of water quality practices.

Mr. DURBIN. Please update the table that appears on page 718 of last year's hearing record showing the personnel and funding level for each of the four regional technical centers to reflect fiscal year 1992 actuals and fiscal years 1993 and 1994 estimates.

Mr. BRIDGE. I will provide for the record a table that reflects the information requested.

[The information follows:]

TECHNICAL SERVICE CENTERS

[Dollars in thousands]

	Staff years			Funding levels		
	1992	1993	1994	1992	1993	1994
Northeast—Chester, PA	69	69	65	$4,572	$4,761	$4,730
South—Fort Worth, TX	257	259	243	18,895	16,899	16,780
Midwest—Lincoln, NE	220	223	209	13,240	13,681	13,590
West—Portland, OR	99	107	100	8,340	8,179	8,120

CONSERVATION TECHNICAL ASSISTANCE PROGRAM ACCOMPLISHMENTS

Mr. DURBIN. Also, update the table from the next page showing overall accomplishments under the technical assistance program to reflect fiscal year 1992 actuals, and fiscal years 1993 and 1994 estimates.

Mr. BRIDGE. We will be happy to provide that information for the record.

[The information follows:]

OVERALL ACCOMPLISHMENTS UNDER THE CONSERVATION TECHNICAL ASSISTANCE PROGRAM

[Dollars in thousands]

	Fiscal year		
	1992 actual	1993 estimate	1994 estimate
Decisionmakers receiving technical services	1,213	1,250	1,185
Acres treated through conservation technical assistance	60,258,261	60,300,000	57,165,000
Tons of soil erosion reduced	299,369,675	314,300,000	297,960,000

Note: Conservation Technical Assistance activities are reflected under the Salaries and Expenses account of the Farm Service Agency in fiscal year 1994.

COMPLETED SOIL SURVEYS

Mr. DURBIN. How many soil surveys were completed and published in fiscal years 1991 and 1992 and how many do you expect to publish in fiscal year 1993?

Mr. BRIDGE. We were able to complete and publish 70 soil surveys in fiscal year 1991 and another 53 in 1992. In fiscal year 1993, we anticipate completing and publishing 60 soil surveys.

INVENTORY AND MONITORING AND RESOURCE APPRAISAL ACTIVITIES

Mr. DURBIN. Describe for the record what is involved in inventory and monitoring activities and resource appraisal and program development activities funded under Conservation Operations.

Mr. BRIDGE. The Inventory and Monitoring program provides information to evaluate performance of resource program activities and provide Congress, the Administration, and others with the data required to effectively formulate policy and assist in strategically planning conservation and environmental programs at the national, regional and local levels. The Soil Conservation Service—SCS—conducts the National Resources Inventory—NRI—at five-year intervals. The NRI is the only national inventory designed to allow analysis of resource characteristics and related soil properties based on data collected for scientifically selected random sample field sites. The NRI, which was legislated through the Rural Development Act of 1972, provides information on the current status, condition, and trends of the Nation's soil, water, wetlands, land cover, land use and related resources on non-Federal rural lands. The Snow Survey and Water Supply Forecasting and Wind Erosion Inventory Programs provide current information each season. Snow Surveys and Water Supply Forecasting provide agricultural water users and others in the Western United States current snow data and water supply forecasts for effective management of water resources. Soil losses by wind erosion and associated crop damage are reported for the Great Plains region.

There are several resource appraisal and program development activities performed by SCS. The Resource Conservation Act—RCA—appraisal, a USDA responsibility, under SCS leadership, is a major activity. The RCA appraisal is required by the Soil and Water Resources Conservation Act of 1977, and is a major environmental analysis of the status, conditions, and trends of natural resources on the Nation's non-Federal lands. Future scenarios are developed to determine natural resource use and conditions over the next 10 to 50 years. The appraisal relies heavily on the National Resources Inventory, as well as other Federal inventory and monitoring data. In addition, several economic and environmental models, analytical tools, geographic information systems and data bases are used. From 1993 to 1997, the Third RCA Appraisal will involve 235 staff years from 17 Federal agencies, interest groups, and the private sector. Other SCS appraisal and program development activities include: evaluation of the effectiveness of Conservation Title programs, evaluations of current and proposed conservation policies, and assessment and development of methodologies to assess the economic and environmental costs and benefits of conservation activities.

FUNDING FOR MONITORING AND APPRAISAL ACTIVITIES

Mr. DURBIN. Update the table that appears on the bottom of page 719 of last year's hearing record showing the resources devoted to these activities to reflect actuals.

Mr. BRIDGE. We will provide that information for the record.

[The information follows:]

INVENTORY AND MONITORING AND RESOURCE APPRAISAL FUNDING

[Dollars in thousands]

	Fiscal year		
	1991 actual	1992 actual	1993 estimate
Inventory and monitoring	$8,500,000	$8,500,000	$8,500,000
Resource appraisal and program development	2,538,000	2,538,000	2,538,000

THIRD SOIL AND WATER RESOURCES CONSERVATION ACT OF 1977 APPRAISAL

Mr. DURBIN. At this time last year you were drafting a plan of work for the Third Resources Conservation Act appraisal. You estimated that it would cost approximately $750,000 a year to implement at a total cost of $3 million, including staff time. What is the status of this plan?

Mr. BRIDGE. The Plan of Work for the Third Resources Conservation Act—RCA—Appraisal has been completed, and technical teams have begun their analyses. The final cost estimate for the Appraisal, including staff time, is about $1.2 million per year. The fiscal year 1993 cost of implementing the Plan of Work is $1.2 million.

Mr. DURBIN. What type of information will be included in this appraisal?

Mr. BRIDGE. The purpose of the Appraisal is to examine the Nation's soil, water, and related resources. It assesses the social, political, economic, and natural resource environments, and documents their conditions and trends. It assesses alternative risks, and addresses emerging issues.

The Appraisal provides data and analyses for policy decisions and program formulation related to resource protection and agricultural production that provide the basis for the National Conservation Program. In a sense, the Appraisal is also the "environmental scan" for Department strategic planning.

Mr. DURBIN. Where will the funds needed to conduct this work come from? Will your budget request include an increase for this project?

Mr. BRIDGE. The funds will be set aside during the agency budget allocation process. Our budget request does not include an increase in funds for this project in fiscal year 1994.

Mr. DURBIN. Also, during last year's hearing you stated that the appraisal and a National Conservation Program based on it would be complete by December 1997. Is this still an accurate date?

Mr. BRIDGE. Yes, we are on schedule. We are meeting bimonthly to coordinate this Appraisal. We are working closely with other

agencies in USDA. We are also receiving assistance from the U. S. Geological Survey and the Environmental Protection Agency on Environmental data and issues.

Mr. DURBIN. Can you tell us what kind of national program you anticipate developing and how will it differ from your current mission?

Mr. BRIDGE. Only very general directions can be given at this time because the Appraisal analysis will be the guideline for formulating the National Conservation Plan—NCP. The NCP will continue to be national in scope addressing strategic issues in agriculture and the environment.

CONSOLIDATING FIELD OFFICES

Mr. DURBIN. The initiative of consolidating field offices so farmers can take care of their agricultural business in one visit at one location is an initiative that I think is long overdue. As I understand it though, prior to this initiative, your agency and the Agricultural Stabilization and Conservative Service had successfully completed a pilot project to exchange data between your computer systems and you were planning to release new software to all field offices this past fall. What is the status of this project?

Mr. BRIDGE. SCS and ASCS did successfully complete the pilot to exchange selected data needed in automated compliance plans for the administration of highly erodible land and wetland provisions of the Food Security Act. We have moved forward to provide a system nationwide. Software for the limited data sharing has been distributed to all states by both of the agencies. At this time, twenty two states have reported on data sharing activities.

Another pilot project, the USDA "Easy Access" project, was conducted in 1992 to promote more comprehensive data sharing between SCS and ASCS. The pilot was successful and plans were underway to expand the pilot to other selected sites. The project has been renamed "InfoShare" and the scope has widened to include other Farm Service agencies (i.e., FmHa, ASCS, FCIC, RDA, ES, SCS). In addition, InfoShare promotes common data administration, configuration management, client address records, common screens and other shared software and utilities.

Mr. DURBIN. Are all ASCS and SCS offices able to exchange information via computers? What about Farmer's Home?

Mr. BRIDGE. No, not all of SCS's field offices are able to electronically exchange data with ASCS offices at this time. As the USDA InfoShare project progresses, additional data share sites will be added. SCS and FmHa offices are not yet able to electronically share data via computers. However, Farmer's Home is a full participant in InfoShare initiatives along with the other agencies that will make up the new Farm Service Agency.

Mr. DURBIN. Have hardware and software procurements been delayed pending the outcome of the reorganization initiative?

Mr. BRIDGE. SCS has voluntarily curtailed the procurement of major hardware and software acquisitions intended to automate field offices pending the implementation of the USDA restructure/reorganization. Our self-imposed moratorium limits acquisitions to replacement, upgrade or maintenance of computer systems/hard-

ware critical to support field mission requirements. During FY 1992, SCS started an initiative to interview clients and collect functional requirements for hardware, software and telecommunications needs. This information will be useful for planning hardware and software needs for USDA's reorganization/restructure.

AUTOMATED SNOW SURVEY AND WATER FORECASTING UPGRADE

Mr. DURBIN. SCS conducts snow surveys and develops water supply forecasts using an automated system called SNOTEL. This forecast is important to western states since 80 percent of the stream flow in the west is provided by snow melt. What is the status of the program to upgrade the SNOTEL system?

Mr. BRIDGE. The upgrade began in 1987, and by 1993 the 580 remote sites and the two master stations will have been modernized.

Mr. DURBIN. Do you expect to complete the upgrade in fiscal year 1994?

Mr. BRIDGE. The new Central Computer Facility will complete the upgrade in 1994.

Mr. DURBIN. What has been the total cost to date to upgrade SNOTEL?

Mr. BRIDGE. Total upgrade cost through 1993 will be $6.6 million, and the estimated total with completion in 1994 is $7.1 million. This is within the cost estimated for the project of $5 million in 1986 dollars.

Mr. DURBIN. Last year you estimated spending between $500,000 and $600,000 annually for maintenance and support. Why are these costs so high?

Mr. BRIDGE. Actually over $1.3 million are being spent annually to maintain the automated snow survey—SNOTEL—system and provide the associated support. The $1.3 million is less than 5% of the original system cost plus the upgrade. The 5% is lower than the average annual cost for maintenance that the private sector uses as a standard to protect investments in physical assets. Last year's $500,000 to $600,000 estimate referred only to the maintenance and support costs funded from the upgrade initiative funds. The remaining 50% of this annual cost is funded from other snow survey program appropriated funds. The 580 remote SNOTEL sites require at least two visits annually for summer maintenance and wintertime data verifications. Although the SNOTEL upgrade has reduced the requirement for field electronics maintenance by 50%, about 150 sites will require an additional unscheduled visit for maintenance during the season. Most sites are in remote, high-elevation locations, and accessible during part of the season only by over snow travel or helicopter. An appropriate motor pool is maintained along with a supply of site replacement components and a specialized electronics repair facility. Vandalism and several other natural sources of damage such as bears, fires and lightning cause about $160,000 damage per year. Prior to the upgrade initiative, annual funds were insufficient, and as a result SNOTEL had degraded to a desperate condition that threatened the federal investment in the system. Performance was not up to standards, and specialized snow vehicles needed to support the system were inad-

equate and unsafe. Operating the snow survey and water forecasting system at the current level avoids repeating this situation by maintaining SNOTEL effectiveness through continued routine component upgrade and modernization, and provides for the continued improvement of quality control, management and data dissemination needed to meet the increased acceptance and utility of the SNOTEL data and associated water supply forecasts and related information.

PARTICIPATION IN INTERNATIONAL PROGRAMS

Mr. DURBIN. How many technical assignments were completed and in how many countries during fiscal year 1992?

Mr. BRIDGE. During FY 1992, 221 Soil Conservation Service employees participated in foreign technical assignments. Fifty-six employees went to 27 countries for direct technical assistance, for which we received reimbursement; 45 employees traveled to 18 countries for scientific and technical exchanges, for which SCS received direct benefit; and 120 employees went to 29 countries for participation in international and professional society meetings.

Mr. DURBIN. As I understand it, only technical assistance activities are reimbursed from the Agency for International Development, Food and Agriculture Organization, World Bank, and other organizations. Why don't the countries themselves provide reimbursement?

Mr. BRIDGE. With rare exceptions, technical assistance projects are jointly funded. Donor agencies such as the Agency for International Development, Food and Agriculture Organization, and World Bank provide hard currency and the recipient country provides support services in local currency. In a few instances, such as Saudi Arabia, the country covered the total cost.

Mr. DURBIN. For the record, provide a list of those countries where assistance was provided in fiscal year 1992 and those planned for fiscal years 1993 and 1994.

Mr. BRIDGE. We will be happy to provide a list of those countries for the record.

[The information follows:]

TECHNICAL ASSISTANCE TO FOREIGN COUNTRIES

1992 provided	Planned	
	1993	1994
Argentina	Argentina	Argentina.
Australia	Bulgaria	Bulgaria.
Bulgaria	Czeck Rep.	Czeck Rep.
Canada	Slovak Rep.	Slovak Rep.
Czechoslovakia	Egypt	Egypt.
Egypt	Ethiopia	Ethiopia.
El Salvador	Hungary	Hungary.
Ethiopia	India	India.
Hungary	Indonesia	Indonesia.
India	Canada	Canada.
Indonesia	Kenya	Kenya.
Israel	Mexico	Mexico.
Italy	Poland	Poland.
Kenya	Romania	Romania.
Malawi	Russia	Russia.

TECHNICAL ASSISTANCE TO FOREIGN COUNTRIES—Continued

1992 provided	Planned	
	1993	1994
Mexico	Taiwan	Taiwan.
Morocco	Venezuela	Venezuela.
Poland		
Romania		
Russia		
Taiwan		
Venezuela		

COST OF INTERNATIONAL TECHNICAL ASSISTANCE

Mr. DURBIN. Also, provide a five-year table showing the total cost to SCS to provide this assistance and the amount reimbursed by other agencies or organizations.

Mr. BRIDGE. We will provide this information for the record.

[The information follows:]

The following are total cost and amount reimbursed for SCS technical assistance from FY 1988 through FY 1992.

Fiscal year	Total cost (Thousands)	Reimbursed (Thousands)
1988	$1,215	$1,215
1989	1,142	1,142
1990	960	960
1991	783	783
1992	870	870
Total	4,970	4,970

The figures includes both direct and indirect costs.

Mr. DURBIN. Each year the Soil Conservation Service prepares a report related to wind erosion in the Great Plains States. What are the results of the most recent report?

Mr. BRIDGE. We will provide a copy of the most recent Wind Erosion Report for the record.

[The information follows:]

WIND EROSION REPORT - GREAT PLAINS

1992-1993 SEASON

PERIOD II: January 1, 1993 - February 28, 1993

This is the summary of wind erosion conditions in the Great Plains for the second 2-month period ending on February 28, 1993. The results are based on estimates from the Soil Conservation Service (SCS) field offices in cooperation with other Departmental field representatives and local authorities. Reports were submitted from 541 counties in the Great Plains States. Counties reporting are those in which wind erosion is prevalent or is expected during the current wind erosion period. The following narratives summarize wind erosion information in four categories: LAND DAMAGED, CROPS OR COVER DESTROYED, LAND PROTECTED BY EMERGENCY TILLAGE OR SURFACE ROUGHENING and LAND IN CONDITION TO BLOW. Tables are attached which provide current information for this same period last year, long-term averages, percentages of average, and record high year values.

LAND DAMAGED

A total of 1,650,400 acres are reported damaged by wind erosion this season. This is about 40 percent less than last year (2,744,000 acres) and 30 percent less than the average (2,361,000 acres). Of the total damaged, about 92 percent (1,515,300 acres) was cropland.

The Northern Great Plains States reported only 1,225,200 acres damaged. This is a decrease of 36 percent from last year at this time (1,900,000 acres) and is 17 percent above the average of 1,050,000 acres. North Dakota reported 855,000 acres damaged, which is 11 percent below last year's 959,000 acres for this same period. These damaged acres represent only 2 percent of North Dakota's lands that were monitored this period (43,704,400 acres). Wyoming was the only State reporting damages above normal (46 percent), while all others were well below the averages--South Dakota at 43 percent below average, Montana at 60 percent below average, and Nebraska at 93 percent lower than average losses.

Land damaged by wind erosion in the Southern States of the Great Plains region (425,200 acres) is way down again and only a third of normal. This figure is also only half of last year's damage at this point in the season. Losses in Texas were reported on only 0.3 percent of the area.

Areas with less soil/crop damage experienced good fall moisture and fall growth, and many have had protective snow cover. Areas having adequate protective stubble and crop residue and roughened soil surfaces also reported minimal losses. Late

harvests and fall tillage and plantings, and in some areas, continuing drought have resulted in insufficient cover for protection from sustained winds. Other contributions to lands damaged include insufficient soil surface roughening, lack of snow cover, and smoothed soil surfaces in the aftermath of heavy rains.

CROPS OR COVER DESTROYED

Crops and cover losses are quite low as this season progresses. The 123,700 acres reported are 47 percent below average and 16 percent below last year's losses at this time. All States were very low in losses except for Wyoming and Texas. Wyoming experienced extensive periods of high winds during this second period. Even though the losses in Texas of crops and cover were 2.7 times normal, this represents losses of only 0.3 percent of the cropland monitored.

LAND PROTECTED BY EMERGENCY TILLAGE OR SURFACE ROUGHENING

Land operators have demonstrated their preparedness for this wind damage season by the above average (75 percent in the North and 11 percent in the South) acreage of emergency tillage and/or surface roughening implemented.

LAND IN CONDITION TO BLOW

Throughout the Great Plains, 10,692,300 acres were reported in a condition to blow. This is 31 percent less than last year's figure and about 16 percent below average (12,670,000 acres).

The Northern States total, 6,602,600 acres, is down 24 percent from last year's 8,672,800 acres and is 20 percent above average. North Dakota led the area with nearly twice the normal acreage protected in this manner. Wyoming was the only other State with above normal acres (17 percent).

The Southern States total, 4,089,700 acres, is down by 40 percent from last year's figure and is 43 percent below the average for this period. Texas reported only 2.1 percent of its 118,741,200 acres monitored in condition to blow.

WIND EROSION REPORT 1992-93 SEASON

LAND DAMAGED (ACRES) 1/1/93 - 2/28/93 (Reporting Period II)

93damg20.ss

STATE	CROPLAND	RANGELAND	OTHER LAND	TOTAL 1992-93	TOTAL 1991-92	AVERAGE 1955-92	% AVE	RECORD HIGH	RECORD YEAR
NORTHERN:									
Montana	142,100	1,200	1,000	144,300	646,000	361,000	40	1,394,000	89
Nebraska	5,300	400	200	5,900	25,000	86,000	7	311,000	65
North Dakota	842,400	11,600	1,000	855,000	959,000	341,000	251	1,603,000	90
South Dakota	100,900	1,800	3,100	105,800	150,000	184,000	57	902,000	81
Wyoming	47,000	59,200	8,000	114,200	120,000	78,000	146	475,000	89
SUBTOTAL	1,137,700	74,200	13,300	1,225,200	1,900,000	1,050,000	117	3,193,000	90
SOUTHERN:									
Colorado	11,300	100	0	11,400	306,000	273,000	4	3,023,000	55
Kansas	6,200	0	200	6,400	240,000	210,000	3	919,000	57
New Mexico	23,400	1,700	0	25,100	2,000	66,000	38	274,000	84
Oklahoma	65,200	300	800	66,300	32,000	74,000	90	524,000	76
Texas	271,500	26,500	18,000	316,000	264,000	688,000	46	1,865,000	65
SUBTOTAL	377,600	28,600	19,000	425,200	844,000	1,311,000	32	4,644,000	55
TOTAL	1,515,300	102,800	32,300	1,650,400	2,744,000	2,361,000	70	5,285,000	55

WIND EROSION REPORT 1992-93 SEASON

CROPS OR COVER DESTROYED (ACRES) 1/1/93 - 2/28/93 (Reporting Period II)

93dest20.ss

STATE	CROPLAND	RANGELAND	OTHER LAND	TOTAL 1992-93	TOTAL 1991-92	AVERAGE 1968-92	% AVE	RECORD HIGH	RECORD YEAR
NORTHERN:									
Montana	1,500	0	0	1,500	15,400	25,300	6	134,900	87
Nebraska	700	100	100	900	2,900	15,000	6	87,500	77
North Dakota	2,300	0	0	2,300	20,000	8,100	28	29,500	88
South Dakota	5,200	0	0	5,200	6,900	18,300	28	75,700	77
Wyoming	9,500	0	5,000	14,500	0	9,300	156	59,900	83
SUBTOTAL	19,200	100	5,100	24,400	45,200	76,000	32	211,100	87
SOUTHERN:									
Colorado	2,200	0	0	2,200	12,400	49,500	4	284,800	77
Kansas	0	0	0	0	55,300	42,600	0	209,400	80
New Mexico	2,700	200	0	2,900	4,200	14,300	20	126,200	77
Oklahoma	10,000	0	0	10,000	12,000	20,900	48	96,500	77
Texas	84,200	0	0	84,200	17,500	30,800	273	84,200	93
SUBTOTAL	99,100	200	0	99,300	101,400	158,100	63	739,600	77
TOTAL	118,300	300	5,100	123,700	146,600	234,100	53	920,600	77

WIND EROSION REPORT 1992-93 SEASON

LAND PROTECTED BY EMERGENCY TILLAGE OR SURFACE ROUGHENING

1/1/93 - 2/28/93 (Reporting Period II)

93emtill20

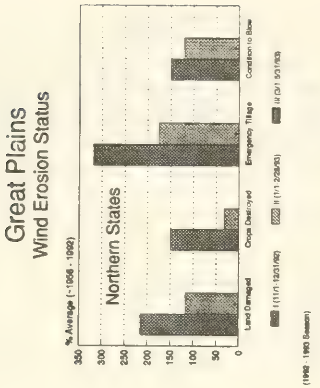
STATE	CROPLAND	OTHER LAND	TOTAL 1992-93	TOTAL 1991-92	AVERAGE 1967-92	% AVE	RECORD HIGH	RECORD YEAR
NORTHERN:								
Montana	0	0	0	24,700	5,000	0	62,400	87
Nebraska	10,200	400	10,600	11,400	28,300	37	89,800	71
North Dakota	500	0	500	0	13,700	4	72,100	69
South Dakota	200	0	200	1,000	20,700	1	73,600	77
Wyoming	135,900	0	135,900	4,000	16,200	839	47,000	75
SUBTOTAL	146,800	400	147,200	41,100	83,900	175	208,800	71
SOUTHERN:								
Colorado	51,600	0	51,600	162,800	45,100	114	169,000	70
Kansas	0	0	0	55,100	90,100	0	335,700	80
New Mexico	42,900	0	42,900	0	52,500	82	305,800	74
Oklahoma	16,600	0	16,600	19,200	24,000	69	114,200	84
Texas	1,072,800	0	1,072,800	260,600	855,900	125	1,684,200	82
SUBTOTAL	1,183,900	0	1,183,900	497,700	1,067,600	111	197,700	71
TOTAL	1,330,700	400	1,331,100	538,800	1,151,500	116	2,185,900	71

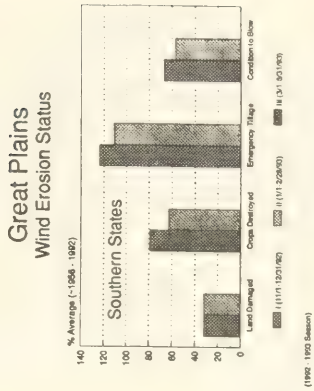
WIND EROSION REPORT 1992-93 SEASON

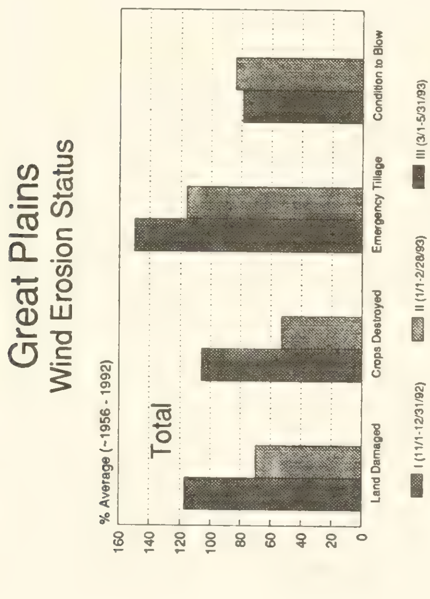
LAND IN CONDITION TO BLOW (ACRES) 1/1/93 - 2/28/93 (Reporting Period II)

93blow20.ss

STATE	TOTAL 1992-93	TOTAL 1991-92	AVERAGE 1955-92	% AVE	RECORD HIGH	RECORD YEAR
NORTHERN:						
Montana	1,074,200	2,141,900	1,249,000	86	2,857,000	87
Nebraska	82,800	220,600	480,000	17	1,356,000	57
North Dakota	4,352,700	4,877,000	2,242,000	194	5,997,000	90
South Dakota	743,900	1,213,300	1,247,000	60	3,090,000	77
Wyoming	349,000	220,000	299,000	117	1,491,000	61
SUBTOTAL	6,602,600	8,672,800	5,517,000	120	10,734,000	90
SOUTHERN:						
Colorado	994,100	1,498,600	1,317,000	75	3,479,000	56
Kansas	239,000	2,643,500	2,202,000	11	10,466,000	57
New Mexico	49,500	7,500	290,000	17	1,411,000	56
Oklahoma	269,700	309,600	454,000	59	2,179,000	57
Texas	2,537,400	2,254,000	2,890,000	88	5,476,000	57
SUBTOTAL	4,089,700	6,713,200	7,153,000	57	23,810,000	57
TOTAL	10,692,300	15,386,000	12,670,000	84	28,615,000	57


Great Plains
Wind Erosion Status
% Average (~1956 - 1992)
Northern States
350
300
250
200
150
100
50
0
Land Damaged
Crops Destroyed
Emergency Tillage
Condition to Blow
I (11/1-12/31/92)
II (1/1-2/28/93)
III (3/1-5/31/93)
(1992 - 1993 Season)


Great Plains
Wind Erosion Status
% Average (~1956 - 1992)
Southern States
140
120
100
80
60
40
20
0
Land Damaged
Crops Destroyed
Emergency Tillage
Condition to Blow
I (11/1-12/31/92)
II (1/1-2/28/93)
III (3/1-5/31/93)
(1992 - 1993 Season)


Great Plains
Wind Erosion Status
% Average (~1956 - 1992)
Total
160
140
120
100
80
60
40
20
0
Land Damaged
Crops Destroyed
Emergency Tillage
Condition to Blow
I (11/1-12/31/92)
II (1/1-2/28/93)
III (3/1-5/31/93)
(1992 - 1993 Season)

OPERATION OF PLANT MATERIALS CENTERS

Mr. DURBIN. SCS operates 22 plant materials centers around the country and provides assistance to four centers operated by cooperating agencies. Last year you provided the Committee with a table showing the annual funding levels to operate these Centers. Would you update this table to reflect fiscal year 1992 actuals and fiscal years 1993 and 1994 estimates?

Mr. BRIDGE. I will provide that information for the record.

[The information follows:]

PLANT MATERIALS CENTER ANNUAL OPERATING COSTS [1]

[Dollars in thousands]

PMC location	1992 actual	1993 estimate	1994 estimate
Tucson, Arizona	221	220	220
Bonneville, Arkansas	196	198	200
Lockeford, California	214	223	223
Brooksville, Florida	216	202	200
Americus, Georgia	216	246	215
Molokai, Hawaii	187	201	200
Aberdeen, Idaho	233	239	240
Manhattan, Kansas	228	228	228
Quicksand, Kentucky	194	195	160
Golden Meadow, Louisiana	215	214	212
Beltsville, Maryland	238	218	220
East Lansing, Michigan	210	220	218
Coffeeville, Mississippi	189	258	260
Elsberry, Missouri	216	210	210
Bridger, Montana	245	244	244
Cape May, New Jersey	220	220	218
Big Flats, New York	218	221	220
Corvallis, Oregon	248	253	250
Kingsville, Texas	147	157	160
Knox City, Texas	200	210	210
Nacagodoches, Texas	160	165	163
Pullman, Washington	237	257	260
Operated by Cooperating Agencies With SCS Assistance:			
Palmer, Alaska			
Meeker, Colorado	93	94	94
Los Lunas, New Mexico	300	254	250
Bismarck, North Dakota	216	214	255

[1] Excludes funding for the Plant Materials Center modernization initiative, non-recurring equipment purchases, and centralized services provided at the state and national level in support of this program.

PLANT MATERIALS CENTERS ACCOMPLISHMENTS

Mr. DURBIN. Also, provide the Committee with a couple of success stories of work that has come from these Centers.

Mr. BRIDGE. The Plant Materials Centers play an important role in protecting our natural resources that is not always well known. I would like to provide three stories which convey the diversity and far reaching impacts of the Plant Materials Center program for the record.

[The information follows:]

THREE PLANT MATERIALS SUCCESS STORIES

Story 1. Cotton is one of the highest erosion producing crops grown in the Mississippi Delta. Of the 1.25 million acres planted annually, one-third is classified as being highly erodible cropland. Sediment losses from these fields were five times the

acceptable limit in 1988. Only 300 acres of no-till cotton were being planted at that time and the cost of constructing terraces to control erosion was prohibitive on most fields.

Responding to this problem, the Jamie L. Whitten PMC initiated an experimental program to evaluate the agronomic and economic effects of no-tillage and winter cover crops on cotton. Experimental plantings were conducted at the PMC and on 5 landowner's farms using large scale plots. These trials showed that no-till cotton works, does not reduce yields or profits, and reduces soil losses to acceptable levels.

Tours and press releases were made to publicize the results. No-till cotton acres increased from 300 acres in 1988 to over 43,200 acres in 1992 as a result of the PMC project, and is anticipated to continue to increase at a rapid pace as 1995 approaches.

Story 2. A database that provides standard botanical information, such as scientific and common plant names, is under continuous development at the National PMC, Beltsville, Maryland. It is entitled the Plant List of Attributes, Nomenclature, Taxonomy, and Symbols or PLANTS. PLANTS has been selected to be included under the Secretary of Agriculture's INFOSHARE initiative.

PLANTS is being developed in cooperation with the botanical community knowledgeable of the plants of North America. PLANTS allows all databases and disciplines within the SCS to communicate with one another using a common language.

PLANTS is also being used by other agencies in the Departments of Agriculture, Interior and Defense to standardize their natural resource and agriculture databases. Federal adoption of PLANTS could provide all agencies with a common link to share information and coordinate database efforts to address national and global natural resource problems.

Story 3. In 1965 Congress authorized the establishment of a plant materials center in Cape May, New Jersey to address coastal erosion problems, highlighted by Hurricane Agnes that hit the Atlantic coast in 1962. Today, with the help of the Florida Center, the technology and plant materials are available for building and stabilizing sand dunes, which remain the most economical, aesthetic, and efficient for long term protection, from Maine to the southern tip of Florida.

As progress was made on dune stabilizing technology, and interest increased in restoring coastal wetlands and protecting tidal estuaries with fringe marshes, the New Jersey Center initiated work in this area. How to restore, and even expand or create new marshes along the Atlantic coast is in place and being widely used. This technology is now being refined for use in restoring the coastal marshes of the Gulf coast by the Golden Meadow, Louisiana Center.

STATUS OF PLANT MATERIALS CENTERS RENOVATION

Mr. DURBIN. You are now in the third year of a five-year plan to renovate facilities and equipment at these Centers. What is the status of this initiative? Are you still on schedule?

Mr. BRIDGE. The five-year plan to renovate plant materials center facilities is progressing about on schedule, with minor changes in priority from year to year to reflect needs and conditions at the centers. For the record, we are providing you a table that shows fiscal year 1992 actual and fiscal year 1993 estimates.

[The information follows:]

PLANT MATERIALS CENTER [1] USE OF FACILITY AND EQUIPMENT RENOVATION FUNDS

[Dollars in thousands]

PMC location	1992 actual	1993 estimate	1994 estimate
Tucson, Arizona	26	353	(2)
Booneville, Arkansas	75	25	(2)
Lockeford, California	17.5	21	(2)
Brooksville, Florida	20	49	(2)
Americus, Georgia	302	12	(2)
Molokai, Hawaii	33	108	(2)
Aberdeen, Idaho	462	38	(2)
Manhattan, Kansas	98	80	(2)
Quicksand, Kentucky	55	10	(2)
Golden Meadow, Louisiana	377	125	(2)

PLANT MATERIALS CENTER USE OF [1] FACILITY AND EQUIPMENT RENOVATION FUNDS—Continued

[Dollars in thousands]

PMC location	1992 actual	1993 estimate	1994 estimate
Beltsville, Maryland	20	43	(2)
East Lansing, Michigan	12	18	(2)
Coffeeville, Mississippi	109	110	(2)
Elsberry, Missouri	55	87	(2)
Bridger, Montana	63	71	(2)
Cape May, New Jersey	30	49	(2)
Big Flats, New York	345	95	(2)
Corvallis, Oregon	71	180	(2)
Kingsville, Texas	7.5	128	(2)
Knox City, Texas	5	38	(2)
Nacagdoches, Texas	23	123	(2)
Pullman, Washington	17	46	(2)
Operated by Cooperating Agencies with SCS Assistance:			
Palmer, Alaska			(2)
Meeker, Colorado	8	21	(2)
Los Lunas, New Mexico	21	91	(2)
Bismarck, North Dakota	16	106	(2)

[1] Excludes funding for the Plant Materials Center operating costs, and centralized services provided at the state and national level in support of this program.

[2] The five-year plant materials centers renovation would continue as part of the Salaries and Expenses account of the Farm Services Agency beginning in 1994.

PLANT MATERIAL RELEASES

Mr. DURBIN. Did you release any new plants in fiscal year 1992? If so, please provide a brief description of each.

Mr. BRIDGE. Yes, we released several new plants last year. A list of them and a brief description is provided for the record.

[The information follows:]

FISCAL YEAR 1992 RELEASED CONSERVATION PLANTS

"Alma" blue grama grass (*Bouteloua gracilis* (H.B.K.) Lag. ex Griffiths) Native, warm season grass for rangeland reclamation, water conservation, erosion control, surface mine revegetation, and low maintenance turf for use in Colorado, Kansas, Oklahoma and New Mexico. Jointly released by ARS, Colorado State University, and SCS New Mexico Plant Materials Center.

"Manska" pubescent intermediate wheatgrass (*Elytrigia intermedia* (Host) Nevski) Selection based on plant vigor, resistance to leaf-spot diseases and high nutritive value over current intermediate wheatgrass cultivars; recommended for grazing and hay in regions of the northern and central Great Plains where annual precipitation averages more than 14 inches. Jointly released by ARS and SCS North Dakota Plant Materials Center.

"Georgia 5" tall fescue (*Festuca arundinacea* Schreb.) Georgia 5 is an improved tall fescue for use in the southeast coastal plains for erosion control plantings and forage production. Released cooperatively by the Georgia Agricultural Experiment Station, and SCS Georgia Plant Materials Center.

"Rocker" tanglehead (*Heteropogon contortus* (L.) Beauv. ex. Roem. & J.A. Schultes) A native, perennial bunchgrass; robust and vigorous; relative drought tolerance. Ideal for revegetating degraded rangeland, and other eroding areas because of its resistance to grazing. Cooperatively releases by SCS Arizona Plant Materials Center and Arizona Agricultural Experiment Station.

"Big O" wild crabapple (*Mulus coronaria* (L.) Mill.) Native tree for wildlife food and cover, windbreaks, screens, hedgerows, and beautification of landscapes; not severely affected by cedar apple rust; exceptionally large fruit when mature. Released by the SCS Georgia Plant Materials Center.

"Tropic Verde" glycine (*Neonotonia wightii* (Wight & Arn.) Lackey) Introduced, trailing, herbaceous legume for improving pastures, and controlling erosion on many sites. Tropic Verde is adapted to elevations ranging from sea level to 3,000

feet in Hawaii and the Pacific Basin. Released by the SCS Hawaii Plant Materials Center and Hawaii Agricultural Experiment Station.

"Northpa" bitter panicum (*Panicum amarum* Ell.) Native perennial grass; vegetatively propagated; for wind erosion protection, beach and sand dune stabilization along the Atlantic coast, and wildlife cover in more northerly locations; selected for ease of establishment and adaptation to coastal sand dune situations that exist in the Mid Atlantic area. Released by the SCS Florida Plant Materials Center.

"Southpa" bitter panicum (*Panicum amarum* Ell.) Native, perennial grass; vegetatively propagated; for wind erosion protection, beach and sand dune stabilization, and wildlife cover in more southerly locations and warmer climates; selected for ease of establishment and adaptation to coastal sand dune situations that exist in Florida and other gulf Coast States. Released by SCS Florida Plant Materials Center.

"Bayshore" smooth cordgrass (*Spartina alterniflora* Loisel.) Native, perennial grass released for revegetation and stabilization of tidal stream banks and the restoration of wetlands along the Mid Atlantic coast. Released by the SCS New Jersey Plant Materials Center, and New Jersey Agricultural Experiment Station.

"Rhizo" Kura clover (*Trifolium ambiguum* Biob.) Sod forming nitrogen producing legume, ideal for pasture use with vigorous grasses such as tall fescue. Adapted to most of the cool, temperate region of the U.S. Released jointly by the SCS Kentucky Plant Materials Center and the Kentucky Agriculture Experiment Station.

RIVER BASIN REGIONAL ENTITIES AND COMMISSION

Mr. DURBIN. Also, for the record, provide a list of all river basin regional entities and interagency committees in which your agency works in coordinating and formulating program activities.

Mr. BRIDGE. Every state has a state interagency coordinating committee that provides direction and priorities to river basin surveys and investigations. These committees are called State River Basin Coordination Committee, Field Advisory Committee, or Water Resource Strategic Planning Committee. Soil Conservation Service serves as the chairman, facilitator or major advisor to these coordinating committees composed of such state agencies as Department of Natural Resources, state water agencies, state environmental agencies, soil conservation commissions, and other Federal agencies with water resource interests. In addition, SCS represents USDA on river basin regional entities which will be provided for the record.

[The information follows:]

RIVER BASIN INTERAGENCY COMMITTEES

Arkansas White Red Interagency Committee—consisting of the states of Arkansas, Colorado, Kansas, New Mexico, Oklahoma, along with several Federal agencies.

Upper Missouri River Basin Authority—consisting of Iowa, Nebraska, Montana, North Dakota, South Dakota, along with several Federal agencies.

Great Lakes Commission—consisting of the states of Michigan, Wisconsin, Minnesota, Illinois, Indiana, Pennsylvania, New York, along with Canada and several Federal agencies.

Red River Commission—consisting of the states of North Dakota, South Dakota, Minnesota, Canada, and other Federal agencies.

Susquehanna River Basin Commission—consisting of the states of Pennsylvania, New York, Maryland, and other Federal agencies.

Delaware River Basin Commission—consisting of the states of New Jersey, Pennsylvania, New York, Delaware, and other Federal agencies.

New England Governor's Commission—consisting of the states of Vermont, Connecticut, Massachusetts, New Hampshire, Maine, Rhode Island, and other Federal agencies.

Pacific Southwest Interagency Commisison—consisting of the states of California, Nevada, Arizona, and other Federal agencies.

Southeast Basin Interagency Commission—consisting of the states of Georgia, South Carolina, North Carolina, Alabama, Florida, Mississippi, and other Federal agencies.

Ohio River Basin Committee—consisting of the states of Indiana, Ohio, Pennsylvania, New York, West Virginia, Kentucky, Illinois, and other Federal agencies.

Pacific Northwest Coordinating Committee—consisting of the states of Oregon, Washington, Idaho, Montana, and other Federal agencies.

Montezuma Creek Commission—consisting of the state of Utah and other Federal agencies.

Upper Mississippi River Regional Commission—consisting of the states of Minnesota, Wisconsin, Iowa, Illinois, Missouri, Kansas, Nebraska, South Dakota, North Dakota and other Federal agencies.

Lower Mississippi River Commission—consisting of Tennessee, Mississippi, Louisiana, Arkansas, Missouri, Kentucky, and other Federal agencies.

Brazas/Trinity River Basin Authority—Texas and other Federal agencies.

At the National level the Soil Conservation Service River Basin Program participates in coordinating and formulating program activities with the following:

Interagency Task Force for Flood Plain Management.

Interagency Hazard Mitigation Task Force.

Interagency Dam Safety Committee.

Interagency Hydrology Committee.

Interagency Committee for Water Quality

STATUS OF P.L. 534 WATERSHED PROJECTS

Mr. DURBIN. Each year for the record we ask for an update of the 11 watershed projects authorized by P.L. 87-534. Again this year, please describe each project, the cost to complete, when each project began and estimated completion date, and its current status.

Mr. BRIDGE. I will be happy to provide an update of the 11 watershed projects for the record.

[The information follows:]

Buffalo Creek Watershed, New York

The Buffalo Creek project was authorized for operations December 22, 1944, and completed in June 1964; it was the first of 11 authorized flood prevention projects to be completed. This project covers Erie and Wyoming Counties, including 13,400 acres within the city of Buffalo, and was sponsored by the Erie County and the Wyoming County Soil Conservation Districts.

Ninety-five percent is private land and 5 percent public forest. Forty-four percent is cropland, 20 percent woodland, 19 percent pasture, and 10 percent idle land. The rest is in urban areas, roads, or other uses.

The principal objective was to reduce sedimentation where the Buffalo River runs into Buffalo Harbor by controlling erosion on streambanks and farmland. Land-treatment measures included conservation cropping systems, hay planting, stripcropping, and farm ponds. More than 59 miles of actively eroding streambanks were stabilized by rock riprap and vegetation.

The Forest Service, in cooperation with the New York State Conservation Department, completed 35 forest-management plans. These plans included planting trees, marking a large wooded area for timber-stand improvement or harvest, and controlling erosion on logging roads.

The federal obligations are $5,451,096.

In February of 1992, we reopened the Buffalo Creek to evaluate structures.

Coosa River Watershed, Georgia

The Coosa River project was completed in 1981. This project, which was begun in 1946, has 16 subwatersheds and more than 130,000 acres in national forest.

The Atlanta, Coosa River, Limestone Valley, and Upper Chattahoochee River Soil and Water Conservation Districts and the Georgia State Highway Department sponsor this project.

The principal objective is to reduce erosion and flood and sediment damage to farmland and county roads.

The federal cost was $18,241,160.

Los Angeles River Watershed, California

The Los Angeles River flood-prevention project in California has 13 subwatersheds. Seventy-three percent of the area is private land, and the rest is part of the Angeles National Forest.

The Los Angeles County Flood Control District sponsors this project. Local cooperating agencies obtain all rights-of-way, arrange for and bear the entire cost of relocating utilities and replacing existing improvements. They operate and maintain the completed flood-control measures. The federal government meets costs of all works on federal land.

Because of rapid urban development in the area, land-treatment measures have consisted mainly of installing street-drainage systems and storm drains. These have been planned and constructed entirely by local agencies.

In this watershed, erosion is particularly severe when high-intensity or long-duration rainstorms follow brush fires. Because of increased urban expansion and development, fire-prevention practices are essential.

Structural measures include improving storm-channels, protecting streambanks, stabilizing grades, and constructing debris basins, outlets, inlets, and other appurtenances.

Channel-improvement measures that have been installed are highly effective. Storm runoff is adequately controlled, and water that previously overran natural channels is now carried harmlessly to impoundments and to the Los Angeles River.

The Soil Conservation Service has completed all structural and land treatment work in the project. Forest Service fire protection is continuing.

The cumulative Soil Conservation Service obligations are $5,215,930 and the Forest Service obligations are $55,141,956. The remaining fire protection work by the Forest Service is continuing with a remaining planned cost of $21,567,384.

<u>Santa Ynez Watershed, California</u>

This project is sponsored by the Lompoc Soil Conservation District and Santa Barbara County. About 85 percent of the area is privately owned. Flooding was a major problem in the Santa Ynez River area. Floodwater generally damaged houses, highways, railroads and farmland.

Land-treatment measures are aimed mainly at preventing erosion and improving soil fertility on farmland and rangeland. They include terraces, drop spillways, cover crops and farm ponds.

The final structural contract in the Santa Ynez assisted by SCS was awarded in FY 1986. All SCS assisted work, including technical assistance, has been completed, except for technical assistance in support of the Forest Service work. The Forest Service work is projected to continue past the year 2000.

The remaining cost of the planned Forest Service work is $9,288,750.

<u>Little Sioux River, Iowa</u>

Eight soil conservation districts sponsor this project involving 13 counties and 1,740,800 acres. Soil erosion is the major problem. Gully erosion has affected the economy of many farms on both the uplands and the bottom lands along the Missouri River. The federal government assists farmers in planning land-treatment measures to minimize runoff and erosion and in installing structural measures where most needed.

Level terraces are the primary land-treatment measure applied. Grade stabilization structures are the primary structural measures being used.

The remaining federal cost of planned work is $81,202,575.

Little Tallahatchie River Watershed, Mississippi

This watershed is in north-central Mississippi, involving 8 counties and 963,977 acres. About 80 percent is private land 10 percent is national forest. The rest is covered by the Sardis Reservoir, a unit of a comprehensive plan for flood control on the Yazoo River.

The principal objective is to reduce flood and sediment damage to farmland. All planning is complete. Cost-shared land treatment is installed using long-term contracts. Structural measures consist of detention and grade stabilization structures, multiple-purpose channels, and bank stabilization on existing channels. All work in the Little Tallahatchie is scheduled for completion by the year 2010.

The remaining federal planned cost is $115,345,398.

Yazoo River Watershed, Mississippi

The Yazoo River project is sponsored by 16 soil conservation districts and other local organizations. The principal objective is to reduce flood and sediment damage to farmland. The Yazoo has 34 subwatersheds that require planning. Cost shared land treatment is installed using long term contracts. Critical areas are treated as structural measures. Structural measures consist of detention and grade stabilization structures, multiple purpose channels, and bank stabilization on existing channels previously constructed.

The remaining planned federal cost is $305,619,871.

Washita River, Oklahoma and Texas

Ninety-four percent of the Washita River project is in Oklahoma and 6 percent in Texas. The problems along the 64 tributaries include controlling erosion on the uplands and reducing flood damage. Land treatment has played a significant part in the reduction of sediment problems that existed in the Washita River. Currently, land treatment is limited to critical area treatment. Two subwatersheds are still in planning in Oklahoma. Local sponsors can meet their obligations so that the Washita could be complete by the end of fiscal year 1992. Past funding levels will require the projects to continue until fiscal year 1998.

The remaining federal planned cost is $31,632,720 in Oklahoma.

Middle Colorado River, Texas

The Middle Colorado River project covers about 4,613,000 acres in the middle of the watershed of the Colorado River in Texas. The principal problem is reducing flood and sediment damage to farmland. All planning is complete on the Middle Colorado River project.

The remaining federal planned work is $8,594,284.

Trinity River Watershed, Texas

This project is located in 28 counties covering 8,424,260 acres. The principal object is to reduce flood and sediment damage to farmland. There are three subwatersheds in the planning stage. Land treatment is limited to critical area treatment as structural measures in Texas.

The remaining federal planned cost is $77,707,134.

Potomac River Watershed, Maryland, Pennsylvania, Virginia, and West Virginia

The Potomac River project covers parts of Virginia, West Virginia, Maryland, and Pennsylvania. Subwatershed planning has been confined mainly to the tributaries of the upper Potomac River in Virginia and West Virginia. The principal problem is reducing flood and sediment damage to farmland and flood damage to towns, highways, and bridges.

Thirty-six subwatersheds have been planned and work continues to be installed.

The remaining federal planned cost is $32,229,864.

P.L. 534 PROJECT ECONOMIC/ENVIRONMENTAL ANALYSES

Mr. DURBIN. Have economic and/or environmental benefit analyses been done on these projects?

Mr. BRIDGE. Yes, economic and environmental benefit analyses have been done.

BUFFALO CREEK WATERSHED PROJECT

Mr. DURBIN. What circumstances led to the reopening of the Buffalo Creek Watershed Project in New York?

Mr. BRIDGE. There was an accidental death from drowning at one of the structures in the project. The project was reopened to study the redesign of a drop structure and propose changes to the structure.

HISTORY OF EMERGENCY WATERSHED PROGRAM

Mr. DURBIN. Please update the table that appears on page 756 of last year's hearing record showing the funding history of the Emergency Watershed Program to include fiscal year 1992 actuals and fiscal year 1993 estimates to date as well as another column showing the unexpended balance remaining at the end of each fiscal year.

Mr. BRIDGE. I will provide for the record a table that shows a history of the Emergency Watershed Protection program budget authority, outlays, and unexpended balance for fiscal years 1981 thru 1993.

[The information follows:]

EMERGENCY WATERSHED PROGRAM

[Dollars in thousands]

Fiscal year	Budget authority	Outlays	Unobligated balance
81	10,000	14,583	8,763
82	10,000	9,395	6,478
83	22,500	15,362	12,981
84	22,000	17,547	15,713
85	5,000	19,912	4,822
86	79,732	39,903	34,625
87	14,755	46,116	10,385
88	13,500	26,980	11,719
89	10,000	24,318	6,695
90	94,855	58,426	33,817
91	20,000	65,462	14,036
92	70,028	30,870	7,821
93	[1] 34,816	[2] 92,019	[2] 0

[1] Includes $12,000,000 made available from a 1992 supplemental appropriation.
[2] Estimated.

STATUS OF THE EMERGENCY WATERSHED PROGRAM

Mr. DURBIN. What is the status of this account in terms of obligations for fiscal year 1993 and pending requests? Provide a list of funding for fiscal year 1993 and pending requests to date.

Mr. BRIDGE. The Emergency Watershed Protection program has received available funding for fiscal year 1993 totaling $80,636,512 as of March 31, 1993. This amount includes $22,816,000 from the

1993 Appropriations Act, $50,000,000 from the Dire Emergency Supplemental Appropriations Act which was enacted into law on September 23, 1992, and carryover from 1992 of $7,820,512. In addition to this amount, $12,000,000 is being made available via a letter from President Clinton to Congress dated March 31, 1993 as required by the Dire Emergency Supplemental Appropriations Act of 1992. The $80,636,512 has been allocated with $329,562 remaining available for contract modifications and contingencies.

We have received additional requests totaling $10,325,000. These unfunded needs were revised downward from $15,000,000 upon reassessing damages in disaster areas. In addition to these requests we anticipate requests of about $2,000,000 resulting from expected flooding in western states as a result of the record snowfall this winter. The $12,000,000 being made available will be used to fulfill these requests.

As of March 31, 1993, $40,274,543 has been obligated for fiscal year 1993. I will be happy to provide a list of funding for fiscal year 1993 and pending requests to date.

[The information follows:]

EMERGENCY WATERSHED PROTECTION STATUS FISCAL YEAR 1993

[As of March 31, 1993]

Available funds	
Carryover from prior years	$7,820,512
FY 1992 Supplemental Appropriation	50,000,000
FY 1993 Appropriation	22,816,000
Total Available	80,636,512

Funds currently allocated by state	FY 1992 supplemental	FY 1993 regular	Total
Alaska	$2,267,000		$2,267,000
Alabama		$38,000	38,000
Arizona	330,400	2,363,000	2,693,400
Arkansas		20,000	20,000
California	410,000	395,000	805,000
Colorado		7,000	7,000
Connecticut		130,000	130,000
Florida	14,000,000	30,000	14,030,000
Hawaii	998,000		998,000
Idaho	981,000		981,000
Indiana	30,000	17,000	47,000
Iowa	30,000		30,000
Kentucky	1,405,000	241,200	1,646,200
Louisiana	10,000,000	1,475,000	11,475,000
Maine		1,000	1,000
Mississippi	1,060,000	19,609,000	20,669,000
Montana		4,000	4,000
Nevada	115,000		115,000
New Jersey	136,000	483,000	619,000
New Mexico		35,000	35,000
North Carolina	1,925,000	6,000	1,931,000
Ohio	15,300	68,500	83,800
Oklahoma		364,000	364,000
Pacific Basin	23,000		23,000
Puerto Rico	5,000,000		5,000,000
South Carolina	625,000	153,750	778,750

Funds currently allocated by state	FY 1992 supplemental	FY 1993 regular	Total
Texas	7,500,000	819,000	8,319,000
Utah	115,000	10,000	125,000
Vermont		10,000	10,000
Virginia	320,000	53,400	373,400
Washington		12,500	12,500
West Virginia		2,536,600	2,536,600
Subtotal to states	47,285,700	28,881,950	76,167,650
Program support		1,495,300	1,495,300
Forest Service	2,644,000		2,644,000
Subtotal to other	2,644,000	1,495,300	4,139,300
Total Allocations	49,929,700	30,377,250	80,306,950
Balance available	70,300	259,262	329,562
Total	50,000,000	30,636,512	80,636,512

EMERGENCY WATERSHED PROTECTION STATUS FISCAL YEAR 1993

[As of March 31, 1993]

Unfunded requests by state	Exigency unfunded	Non-Exigency unfunded	Total
Arizona	$3,500,000	$3,700,000	$7,200,000
California	100,000		100,000
Florida	1,000,000		1,000,000
New Mexico	625,000		625,000
Nebraska	100,000	1,000,000	1,100,000
Tennessee	300,000		300,000
Total Unfunded	5,625,000	4,700,000	10,325,000

NOTE: To be covered by $12,000,000 released March 31, 1993.

EXIGENCY/NONEXIGENCY WORK STATUS

Mr. DURBIN. Of the pending requests on hand, what amount is for exigency work and what is for non-exigency work?

Mr. BRIDGE. Of the $10,325,000 in current unfunded requests, $5,625,000 is considered exigency work and $4,700,000 is non-exigency work.

SMALL WATERSHED CONSTRUCTION STARTS

Mr. DURBIN. Please provide a list of all new small watershed construction projects started in fiscal year 1992 and those planned to start in fiscal year 1993. Include the Federal and non-Federal cost of each project.

Mr. BRIDGE. I will provide a list of the new projects approved in fiscal year 1992 and fiscal year 1993.

[The information follows:]

P.L. 83–566 PROJECTS APPROVED FOR OPERATIONS IN FY 1992

State	Watershed name	Federal cost	Non-federal cost
Alabama	Short-Scarham Creeks	$3,684,500	$1,986,100
Alabama	Town Creek-Dekalb	2,921,100	1,581,000
Alabama	South Sauty Creek	2,918,900	1,580,700

P.L. 83–566 PROJECTS APPROVED FOR OPERATIONS IN FY 1992—Continued

State	Watershed name	Federal cost	Non-federal cost
Colorado	Trinidad Lake North Watershed	1,168,900	359,500
Georgia	Piscola Creek	2,564,469	1,663,403
Illinois	Lake Bloomington	984,600	917,400
Kentucky	Bacon Creek	602,330	135,140
Michigan	Baraga Village	1,264,700	94,200
Oklahoma	Wild Horse Creek	551,450	15,730
South Carolina	Frazier Park	236,500	56,500
Virginia	Lick Creek	4,049,500	243,500

P.L. 83-566 PROJECTS APPROVED FOR OPERATIONS IN FY 1993

[THRU 3/31/93]

State	Watershed name	Federal cost	Non-federal cost
Georgia	Days Crossroad Community	$126,000	$37,000
Idaho	Bedrock	288,250	1,585,350
Missouri	East Yellow Creek	7,267,900	2,194,500
Missouri	Town Branch	535,300	770,200
Ohio	Four Mile Creek	2,136,400	833,200
Virginia	Ararat River	5,081,000	258,000
Vermon	Lower Lamoille River	738,065	2,460,884

CHANNELIZATION MEASURES IN ECONOMIC STIMULUS PROPOSAL

Mr. DURBIN. Included in the fiscal year 1993 emergency supplemental bill supporting the President's economic stimulus proposal that just passed the House is $46,961,000 for the Watershed Protection and Flood Prevention program. Any portion of this amount not needed for emergency work would be used to fund small watershed projects that could be started immediately. When Secretary Espy testified before the subcommittee on the President's proposal he provided for the record a list totalling over $146 million of those projects that would fall into this category. Of that list would you identify those projects that involve channelization measures.

Mr. BRIDGE. A potential implementation list of $146 million was developed as of March 17, 1993. The list reflects work under the authority of the Small Watershed Program, the Flood Prevention Program, and rehabilitation of installed works. The list reflects a project distribution of 59 watershed protection—22 percent, 85 rehabilitation of old projects—30 percent, and 133 acceleration of projects awaiting construction—48 percent. We will provide a list of the projects including channel work. Final decisions on how the stimulus funds would be allocated have not been made at this time.

[The information follows:]

LIST OF PROJECTS INCLUDING CHANNEL WORK

State	Project name	Type work
AK	Eagle Historic District	Channel stab.
AR 2042	Poinsett	Channel.
CA 2014	Beardsly	Channel.

LIST OF PROJECTS INCLUDING CHANNEL WORK—Continued

State	Project name	Type work
FL	Pine Forest	Channel Stab.
IL 2031	Buffalo-Wheeling	Channel.
IL 2031	Willow-Higgins Channel	Channel.
LA 2040	East Carroll	Channel.
LA 2040	East Carroll	Channel.
LA 2042	Fifth Ward	Channel.
MD 2004	Gilbert Run	Channel.
MS 2032	Tallahaga	Channel.
MS 2040	Chunky	Channel.
MS 2051	Sowashee	Channel.
NC 2028	Stewart-Lovill's	Channel.
NY 2019	Mill Brook	Channel.
OH 2015	Hoaglin Ck	Channel.
OH 2017	Short Ck. Repair	Channel.
OH 2028	Blanchard	Channel.
OK 3101	Washita	Channel.
TN 2017	Pine Ck Ch.	Channel cleanout.
WA 2010	East Side Green River	Channel.
WV 2028	Whitestick Cranberry	Channel.

FLOOD PREVENTION PROGRAM SUB-WATERSHED PROJECTS

Mr. DURBIN. For the record please provide a list of all the sub-watershed projects in the P.L. 534 Flood Prevention program identifying those that are under construction and those that are complete.

Mr. BRIDGE. We will be happy to provide a list of the subwatershed projects. Please note that we have redefined the catagory—project complete—to construction completed continuing land treatment or post-installation assistance.

[The information follows:]

PL-534 PROJECTS UNDER CONSTRUCTION

STATE	WATERSHED NAME
GA	COOSA - ETOWAH RIVER REACH
GA	COOSA - LONG SWAMP CREEK
GA	COOSA - MILL-CANTON CREEKS
GA	COOSA - NOONDAY CREEK
GA	COOSA - PUMPKINVILLE CREEK
GA	COOSA - RACCOON CREEK
GA	COOSA - SHARP MOUNTAIN CREEK
GA	COOSA - TALKING ROCK CREEK
IA	LTL SIOUX - AFMSCS
IA	LTL SIOUX - BADGER CREEK
IA	LTL SIOUX - BARBER HOLLOW
IA	LTL SIOUX - BIG COON CREEK
IA	LTL SIOUX - BIG WHISKEY
IA	LTL SIOUX - BITTER CREEK
IA	LTL SIOUX - CAMP CREEK
IA	LTL SIOUX - CLIMBING HILL
IA	LTL SIOUX - CORWIN-LOGAN
IA	LTL SIOUX - CRAWFORD CK
IA	LTL SIOUX - DEER AND RATHBURN
IA	LTL SIOUX - DUTCH CREEK
IA	LTL SIOUX - DUTCH HOLLOW
IA	LTL SIOUX - EAST MAPLETON
IA	LTL SIOUX - ELK CREEK
IA	LTL SIOUX - ELKHORN NO. 1
IA	LTL SIOUX - ELLIOTT CREEK
IA	LTL SIOUX - GALVA-SHALLER
IA	LTL SIOUX - GARFIELD
IA	LTL SIOUX - HOGUE
IA	LTL SIOUX - LAST CHANCE
IA	LTL SIOUX - LEECH HOLLOW
IA	LTL SIOUX - LITTLE WHISKEY
IA	LTL SIOUX - MC ELHANEY
IA	LTL SIOUX - MILLER CREEK
IA	LTL SIOUX - MOORHEAD CREEK
IA	LTL SIOUX - MOVILLE
IA	LTL SIOUX - ODEBOLT
IA	LTL SIOUX - PIERSON
IA	LTL SIOUX - REYNOLDS
IA	LTL SIOUX - ROCK CREEK
IA	LTL SIOUX - SMOKEY HOLLOW
IA	LTL SIOUX - SOUTH GARFILED
IA	LTL SIOUX - WEST ALDRICH
IA	LTL SIOUX - WEST FORK OF BATTLE
IA	LTL SIOUX - WEST MAPLETON
IA	LTL SIOUX - WESTSIDE
IA	LTL SIOUX - WEST WOLF CREEK
IA	LTL SIOUX - WILLOW ROCK
IA	LTL SIOUX - WOLF CREEK

PL-534 PROJECTS UNDER CONSTRUCTION

STATE	WATERSHED NAME
MD	POTOMAC - EVITTS CREEK
MD	POTOMAC - DIRECT POTOMAC DRAINAGE
MD	POTOMAC - FIFTEEN MILE CREEK
MD	POTOMAC - GEORGES CREEK
MD	POTOMAC - NORTH BRANCH
MD	POTOMAC - SAVAGE RIVER
MD	POTOMAC - SIDELING HILL CREEK
MD	POTOMAC - TOWN CREEK
MD	POTOMAC - WILLS CREEK
MS	LTL TALLA - CANE CREEK
MS	LTL TALLA - CYPRESS & PUSS CUSS
MS	LTL TALLA - DUNCAN-CANE CREEKS
MS	LTL TALLA - LTL SPRING-OCHEWALLA CREEKS
MS	LTL TALLA - LOWER TIPPAH RIVER
MS	LTL TALLA - NORTH TIPPAH CREEK
MS	LTL TALLA - OAKLIMETER CREEK
MS	LTL TALLA - OKONATIE CREEK
MS	YAZOO - ABIACA CREEK
MS	YAZOO - ARKABUTLA CREEK
MS	YAZOO - ASKALMORE CREEK
MS	YAZOO - BATUPAN BOGUE
MS	YAZOO - BEAR CREEK
MS	YAZOO - BELZONI
MS	YAZOO - BIG SAND CREEK
MS	YAZOO - BLACK CREEK
MS	YAZOO - BLACK CREEK (DELTA)
MS	YAZOO - BOLIVAR CREEK
MS	YAZOO - BROAD SLOUGH
MS	YAZOO - BRUNSWICK LEVEE
MS	YAZOO - BUNTYN CREEK
MS	YAZOO - BYNUM CREEK
MS	YAZOO - BURNEY BRANCH
MS	YAZOO - CANE-MUSSACUNA CKS.
MS	YAZOO - COLDWATER RIVER
MS	YAZOO - CRENSHAW
MS	YAZOO - CYPRESS CREEK
MS	YAZOO - FIGHTING BAYOU
MS	YAZOO - GUM POND
MS	YAZOO - HAMPTON LAKE
MS	YAZOO - HICKAHALA CREEK
MS	YAZOO - HOFFA CREEK
MS	YAZOO - HORSE PEN CREEK
MS	YAZOO - HOTOPHIA CREEK
MS	YAZOO - HUBBARD-MURPHREE CREEKS
MS	YAZOO - HUSHPUCKENA CREEK
MS	YAZOO - INDIAN CREEK-BOBO BAYOU
MS	YAZOO - INDIAN CREEK
MS	YAZOO - JONES BAYOU

PL-534 PROJECTS UNDER CONSTRUCTION

STATE	WATERSHED NAME
MS	YAZOO - LAKE CORMORANT
MS	YAZOO - LAKE HENRY
MS	YAZOO - LEFLORE
MS	YAZOO - LITTLE MOUND BAYOU
MS	YAZOO - LONG CREEK
MS	YAZOO - LONG LAKE
MS	YAZOO - LOWER TIPPO BAYOU
MS	YAZOO - MC IVOR CREEK
MS	YAZOO - MOON LAKE-PHILLIPS BAYOU
MS	YAZOO - MURPHY BAYOU
MS	YAZOO - MURRAY CREEK
MS	YAZOO - NEW AFRICA
MS	YAZOO - NEW PORTERS BAYOU
MS	YAZOO - NORTH TILLATOHA-HUNTER
MS	YAZOO - NORTH YALOBUSHA RIVER
MS	YAZOO - NORTHERN DRAINAGE DISTRICT
MS	YAZOO - OLDHAM LAKE
MS	YAZOO - OPOSSUM BAYOU
MS	YAZOO - OTOUCALOFA CREEK
MS	YAZOO - PELUCIA CREEK
MS	YAZOO - PERRY CREEK
MS	YAZOO - PERSIMMON CREEK I
MS	YAZOO - PERSIMMON CREEK II
MS	YAZOO - PIGEON ROOST CREEK
MS	YAZOO - PINEY CREEK
MS	YAZOO - POTACOCAWA CREEK
MS	YAZOO - PUMPKIN CREEK
MS	YAZOO - RIVERDALE CREEK
MS	YAZOO - RIVERSIDE BLACK BAYOU
MS	YAZOO - SABOUGLA CREEK
MS	YAZOO - SENATOBIA CREEK
MS	YAZOO - SEVIER LAKE-FISH BAYOU
MS	YAZOO - SHAW
MS	YAZOO - SHORT FORK CREEK
MS	YAZOO - SKUNA RIVER
MS	YAZOO - SOUTHWEST DELTA SUNFLOWER
MS	YAZOO - STRAYHORN CREEK
MS	YAZOO - SUNFLOWER
MS	YAZOO - TILLATOBA CREEK
MS	YAZOO - TOBY TUBBY CREEK
MS	YAZOO - TOPASHAW
MS	YAZOO - TURN BAYOU
MS	YAZOO - WHITE OAK-ARK BAYOU
MS	YAZOO - WILL NEILL
OK	WASHITA- BEAR CREEK
OK	WASHITA- BEAVER CREEK
OK	WASHITA- BIG CANYON LATERALS
OK	WASHITA- BIG SANDY CREEK
OK	WASHITA- BITTER CREEK

PL-534 PROJECTS UNDER CONSTRUCTION

STATE	WATERSHED NAME
OK	WASHITA- BUTLER LATERALS
OK	WASHITA- CADDO CREEK
OK	WASHITA- CHEROKEE SANDY
OK	WASHITA- COBB CREEK (FAST RUNNER)
OK	WASHITA- COWDEN LATERALS
OK	WASHITA- DELAWARE CREEK
OK	WASHITA- E. LATERALS TO LAKE TEXOMA
OK	WASHITA- FINN CREEK
OK	WASHITA- FORT COBB LATERALS
OK	WASHITA- GLASSES CREEK
OK	WASHITA- GYP CREEK
OK	WASHITA- IONINE CREEK
OK	WASHITA- KICKAPOO SANDY
OK	WASHITA- LINE CREEK
OK	WASHITA- LITTLE WASHITA
OK	WASHITA- MANSVILLE LATERALS
OK	WASHITA- MAYSVILLE LATERALS
OK	WASHITA- OIL CREEK
OK	WASHITA- RAINY MOUNTAIN CREEK
OK	WASHITA- ROARING CREEK
OK	WASHITA- RUSH CREEK
OK	WASHITA- SADDLE MOUNTAIN CREEK
OK	WASHITA- SALT CREEK
OK	WASHITA- SPRING CREEK
OK	WASHITA- SUGAR CREEK
OK	WASHITA- TONKAWA CK-DELAWARE CKS
OK	WASHITA- W LATERALS TO LAKE TEXOMA
OK	WASHITA- WHITESHIELD CK
OK	WASHITA- WILDHORSE CK (UP & LWR)
OK	WASHITA- WINTER CK
TX	MDL. COLORADO - BROWNWOOD LATERALS
TX	MDL. COLORADO - SOUTHWEST LATERALS
TX	MDL. COLORADO - UPPER PECAN BAYOU
TX	MDL. COLORADO - UPPER SAN SABA RIVER
TX	TRINITY - BEAR CREEK
TX	TRINITY - BIG SANDY CREEK
TX	TRINITY - BOX CREEK
TX	TRINITY - CATFISH CREEK
TX	TRINITY - CEDAR CREEK
TX	TRINITY - CHAMBERS CREEK
TX	TRINITY - CLEAR CREEK
TX	TRINITY - CLEAR FORK TRINITY RV.
TX	TRINITY - DENTON CREEK
TX	TRINITY - DUCK & MESQUITE
TX	TRINITY - EAST DALLAS
TX	TRINITY - EAST FORK ABOVE LAVON
TX	TRINITY - E. LATERALS OF EAGLE MTN.
TX	TRINITY - ELM FORK
TX	TRINITY - ELM FORK & E. LATERALS

PL-534 PROJECTS UNDER CONSTRUCTION

STATE	WATERSHED NAME
TX	TRINITY - FIVE MILE CREEK
TX	TRINITY - FOSSIL CREEK
TX	TRINITY - HACKBERRY CREEK
TX	TRINITY - HICKORY CREEK
TX	TRINITY - ISLE DU BOIS CREEK
TX	TRINTIY - JOHNSON CREEK
TX	TRINITY - KEECHIE CREEK
TX	TRINITY - LITTLE ELM & LATERALS
TX	TRINITY - LOWER E. FORK LATERALS
TX	TRINITY - MANSON'S CREEK
TX	TRINITY - MARINE CREEK
TX	TRINITY - MARY'S CREEK
TX	TRINITY - PILOT GROVE
TX	TRINITY - RED OAK CREEK
TX	TRINITY - RICHLAND CREEK
TX	TRINITY - RUSH CREEK
TX	TRINITY - SALT CREEK & LATERALS
TX	TRINITY - SYCAMORE CREEK
TX	TRINITY - TEHUACANA CREEK
TX	TRINITY - TOWN CREEK
TX	TRINITY - VILLAGE CREEK
TX	TRINITY - VILLAGE & WALKER CREEKS
TX	TRINITY - WALNUT CREEK
TX	TRINITY - W. LATERALS OF EAGLE MTN.
TX	TRINITY - W. LATERALS OF THE TRINITY
TX	TRINITY - WHITE ROCK
VA	POTOMAC - HAWKSBILL CREEK-APPLICATION
VA	POTOMAC - LINVILLE CREEK
VA	POTOMAC - LOWER NORTH RIVER
VA	POTOMAC - MIDDLE RIVER
VA	POTOMAC - MOFFETT CREEK
VA	POTOMAC - NAKED CREEK
VA	POTOMAC - NORTH FORK SHENANDOAH
VA	POTOMAC - PASSAGE CREEK
VA	POTOMAC - SOUTH RIVER
VA	POTOMAC - UPPER NORTH RIVER
VA	POTOMAC - SOUTH FORK SHENANDOAH RIVER
WV	POTOMAC - CACAPON RIVER
WV	POTOMAC - LOST RIVER
WV	POTOMAC - LUNICE CREEK
WV	POTOMAC - NEW CREEK-WHITES RUN
WV	POTOMAC - NO. & SO. MILL CREEK
WV	POTOMAC - NORTH RIVER
WV	POTOMAC - PATTERSON CREEK
WV	POTOMAC - SO. BRANCH UPSTREAM OF U.TRACT
WV	POTOMAC - SOUTH FORK RIVER

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PL-534 PROJECTS WITH CONSTRUCTION COMPLETED

STATE	WATERSHED NAME
CA	LOS ANGELES - ALISO CREEK
CA	LOS ANGELES - ARROYO CALABASAS CREEK
CA	LOS ANGELES - BELL CREEK
CA	LOS ANGELES - BROWNS CREEK
CA	LOS ANGELES - BULL CREEK
CA	LOS ANGELES - LIMEKILN CREEK
CA	LOS ANGELES - LOWER E. CANYON
CA	LOS ANGELES - SANTA SUSANA CREEK
CA	LOS ANGELES - UPPER E. CANYON
CA	LOS ANGELES - WILBUR CREEK
CA	SANTA YNEZ - CEMETARY CANYON
CA	SANTA YNEZ - HOAG-SANTA RITA
CA	SANTA YNEZ - PURISIMA-CEBADA
CA	SANTA YNEZ - RODEO-SAN PASQUAL
CA	SANTA YNEZ - SAN MIGUELITO
GA	COOSA - ALLATOONA CREEK
GA	COOSA - AMICALOLA CREEK
GA	COOSA - CARTECAY RIVER
GA	COOSA - ELLIJAY RIVER
GA	COOSA - LITTLE RIVER
GA	COOSA - MOUNTAINTOWN CREEK
GA	COOSA - SETTINGTOWN CREEK
GA	COOSA - STAMP-SHOAL CREEKS
IA	LTL SIOUX - ANTHON
IA	LTL SIOUX - ARCOLA
IA	LTL SIOUX - ARLINGTON
IA	LTL SIOUX - ARNOLD-ARMSTRONG
IA	LTL SIOUX - ARROWHEAD
IA	LTL SIOUX - BAKER
IA	LTL SIOUX - BIG WHISKEY NO. 1
IA	LTL SIOUX - BLACK SLOUGH
IA	LTL SIOUX - BRUENE-SPAHN
IA	LTL SIOUX - CLARK
IA	LTL SIOUX - COLLEGE CORNER
IA	LTL SIOUX - COTTONWOOD-GREEN VALLEY
IA	LTL SIOUX - CORD
IA	LTL SIOUX - CROY
IA	LTL SIOUX - DAVIS
IA	LTL SIOUX - DICKMAN
IA	LTL SIOUX - EAST ALDRICH CK.
IA	LTL SIOUX - EAST WATERMAN CK.
IA	LTL SIOUX - ELKHORN NO. 2
IA	LTL SIOUX - FEE
IA	LTL SIOUX - GALLUP
IA	LTL SIOUX - GARTON
IA	LTL SIOUX - GLEN ELLEN
IA	LTL SIOUX - GOTHIER #2
IA	LTL SIOUX - GRAND MEADOW

PL-534 PROJECTS WITH CONSTRUCTION COMPLETED

STATE	WATERSHED NAME
IA	LTL SIOUX - HABINCK
IA	LTL SIOUX - HEISLER CREEK
IA	LTL SIOUX - HUFF
IA	LTL SIOUX - INNES-JALLAS
IA	LTL SIOUX - JETT
IA	LTL SIOUX - KIRKHOLM
IA	LTL SIOUX - LAWSON
IA	LTL SIOUX - LITTLE BEAVER
IA	LTL SIOUX - LITTLE EGYPT
IA	LTL SIOUX - LOWER BEAVER
IA	LTL SIOUX - LUM HOLLOW
IA	LTL SIOUX - MAPLE
IA	LTL SIOUX - MARTIN
IA	LTL SIOUX - MASTERS
IA	LTL SIOUX - MC CALL
IA	LTL SIOUX - MC DONALD
IA	LTL SIOUX - MC LARTY-EDWARDS
IA	LTL SIOUX - MC MASTER
IA	LTL SIOUX - MIKE MIKKELSON
IA	LTL SIOUX - MILLER
IA	LTL SIOUX - MOORE
IA	LTL SIOUX - MORTENSEN
IA	LTL SIOUX - MUCKEY CREEK
IA	LTL SIOUX - MUD CREEK
IA	LTL SIOUX - NEPPER
IA	LTL SIOUX - NEUSTROM
IA	LTL SIOUX - NUTT HOLLOW
IA	LTL SIOUX - PARNELL
IA	LTL SIOUX - PERION
IA	LTL SIOUX - PHILLIPS
IA	LTL SIOUX - PILOT ROCK
IA	LTL SIOUX - PLEASANT VALLEY
IA	LTL SIOUX - QUAD VALLEY
IA	LTL SIOUX - RALSTON
IA	LTL SIOUX - REED
IA	LTL SIOUX - ROBESON
IA	LTL SIOUX - RODNEY
IA	LTL SIOUX - SIMONSEN
IA	LTL SIOUX - SUNRISE
IA	LTL SIOUX - THEOBOLD
IA	LTL SIOUX - TOM KING
IA	LTL SIOUX - U-B
IA	LTL SIOUX - UPPER BEAVER
IA	LTL SIOUX - WALLING
IA	LTL SIOUX - WASHBURN
IA	LTL SIOUX - WATERMAN SPRING
IA	LTL SIOUX - WEBER
IA	LTL SIOUX - WEBER CREEK

PL-534 PROJECTS WITH CONSTRUCTION COMPLETED

STATE	WATERSHED NAME
IA	LTL SIOUX - WENGER
IA	LTL SIOUX - WEST BEAVER
IA	LTL SIOUX - WEST FORK #1
IA	LTL SIOUX - WEST FORK #3
IA	LTL SIOUX - WILLOW CREEK
IA	LTL SIOUX - WINDY HILL
IA	LTL SIOUX - WOLF CREEK, PIERO SITE
IA	LTL SIOUX - WOODWARD GLEN
IA	LTL SIOUX - WOODS HOLLOW
IA	LTL SIOUX - ZELLMER
MS	LTL TALLA - GREASY CREEK
MS	LTL TALLA - HELL CREEK
MS	LTL TALLA - LOCKS CREEK
MS	LTL TALLA - MILL CREEK
MS	LTL TALLA - MUD CREEK
MS	LTL TALLA - NELSON CREEK
MS	LTL TALLA - UPPER TIPPAH RIVER
MS	YAZOO - DAVIS SPLINTER CREEK
MS	YAZOO - EDEN CREEK
MS	YAZOO - HURRICANE-WOLF CREEK
MS	YAZOO - JOHNSON AND FAIR CKS
MS	YAZOO - SKUNA RV. TRIBUTARIES
MS	YAZOO - SLEDGE BAYOU
MS	YAZOO - SOUTH YALOBUSHA (SKELTON)
MS	YAZOO - TALLAHATCHIE RIVER BOTTOM
MS	YAZOO - TURKEY CREEK
MS	YAZOO - UPPER SKUNA RIVER
MS	YAZOO - UPPER YOCONA RIVER
MS	YAZOO - WILLIS CREEK
MS	YAZOO - YALOBUSHA RIVER
NY	BUFFALO - BUFFALO
NY	BUFFALO - CAYUGA
NY	BUFFALO - CAZENOVIA
OK	WASHITA- BARNITZ CREEK
OK	WASHITA- BEAVER DAM CREEK
OK	WASHITA- BIG KIOWA CREEK
OK	WASHITA- BOGGY CREEK
OK	WASHITA- BROKEN LEG CREEK
OK	WASHITA- CAVALRY CREEK
OK	WASHITA- CHIGLEY SANDY CREEK
OK	WASHITA- COLBERT CREEK
OK	WASHITA- CRINER CK.-BEAR HYBARGER
OK	WASHITA- DEAD INDIAN-WILDHORSE CREEK
OK	WASHITA- MILL CREEK
OK	WASHITA- NINE MILE CREEK
OK	WASHITA- OAK CREEK
OK	WASHITA- OWL CREEK
OK	WASHITA- PANTHER CREEK

PL-534 PROJECTS WITH CONSTRUCTION COMPLETED

STATE	WATERSHED NAME
OK	WASHITA- PEAVINE CREEK
OK	WASHITA- PENNINGTON CREEK
OK	WASHITA- QUARTERMASTER CREEK
OK	WASHITA- ROCK CREEK
OK	WASHITA- ROUND CREEK
OK	WASHITA- SANDSTONE CREEK
OK	WASHITA- SERGEANT MAJOR CREEK
OK	WASHITA- SOLDIER CREEK
OK	WASHITA- SOUTH CLINTON LATERALS
OK	WASHITA- TURKEY CK
OK	WASHITA- UPPER WASHITA
OK	WASHITA- WASHINGTON CK
OK	WASHITA- WAYNE CK
TX	WASHITA - UPPER WASHITA RIVER
TX	MDL. COLORADO - BLANKET CREEK
TX	MDL. COLORADO - BRADY CREEK
TX	MDL. COLORADO - BROWN-MULLIN
TX	MDL. COLORADO - CLEAR CREEK
TX	MDL. COLORADO - DEEP CREEK
TX	MDL. COLORADO - HOME CREEK
TX	MDL. COLORADO - JIM NED CREEK
TX	MDL. COLORADO - LOWER SAN SABA RIVER
TX	MDL. COLORADO - MUKEWATER CREEK
TX	MDL. COLORADO - MUSTANG CREEK
TX	MDL. COLORADO - NORTHEAST LATERALS
TX	MDL. COLORADO - NORTHWEST LATERALS
TX	MDL. COLORADO - SOUTHEAST LATERALS
TX	MDL. COLORADO - TURKEY CREEK
TX	TRINITY - E. LATERALS OF THE TRINITY
TX	TRINTIY - GRAYS CREEK
TX	TRINITY - LAKE CREEK
TX	TRINITY - MOUNTAIN CREEK
TX	TRINITY - NORTH CREEK
TX	TRINITY - NORTH TRINITY LATERALS
TX	TRINITY - ROSSER TRINIDAD LATERALS
TX	TRINITY - ROWLETT CREEK
TX	TRINITY - SISTER GROVE
TX	TRINITY - TEN MILE CREEK
TX	TRINITY - UPPER EAST FORK LATERALS
TX	TRINITY - WEST FORK ABOVE BRIDGEPORT
VA	POTOMAC - DRY RUN
VA	POTOMAC - GAP RUN
VA	POTOMAC - MILL CREEK
VA	POTOMAC - SHOEMAKER
VA	POTOMAC - STONY CREEK
VA	POTOMAC - TUMBLING RUN
WV	POTOMAC - WARM SPRINGS RUN

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LOAN PROGRAM STATUS

Mr. DURBIN. Each year the Committee provides loan authority for the Watershed Protection and Flood Prevention program as part of the Farmers Home Administration loan program. Last year you provided the Committee with a table showing the loan authority level and the number of loans made for fiscal years 1987 through 1991. Would you please update this table to include fiscal year 1992?

Mr. BRIDGE. Two loans were made in 1992 for a total of $502.000. We will provide a table for the record.

[The information follows:]

FARMERS HOME ADMINISTRATION LOAN FOR SMALL WATERSHED PROGRAM

	Loan authority	Number of loans	Dollar amount
1987	$7,900,000	1	$148,200
1988	7,900,000	0	0
1989	7,900,000	0	0
1990	4,000,000	2	2,649,000
1991	4,000,000	0	0
1992	4,000,000	2	502,000

NATURE OF LOANS

Mr. DURBIN. As can be seen from this table the available loan authority from 1987 to 1992 was $35,700,000, but only five loans were made totaling $3,299,200. Can you tell us the nature of these loans and the need to continue this authority.

Mr. BRIDGE. The loans were made to provide the local sponsors with resources to meet their financial commitments for project implementation in a timely manner. There has been a gradual shift away from large structural projects toward smaller watershed protection projects and consequently the need for these loans has been significantly reduced. Obviously, the need to continue this loan authority is questionable. However, when it is needed, it provides a valuable service.

GREAT PLAINS CONSERVATION PROGRAM STATES

Mr. DURBIN. How long has the Great Plains Conservation Program been in existence? What States are involved in this program?

Mr. BRIDGE. The program was authorized in 1956 and the first contract was written in 1958. The states included are: Colorado, Kansas, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, Wyoming.

GREAT PLAINS CONSERVATION PROGRAM DOLLARS

Mr. DURBIN. How much in Federal dollars and how much in non-Federal dollars has been available to the program since it began?

Mr. BRIDGE. There have been $657.6 million appropriated by the Federal Government for this program through fiscal year 1993. These funds provided the technical assistance and administrative

costs of implementing these contracts as well as the cost shares paid to the farmers and ranchers. Roughly, $460 million was used for Federal cost share, and the remaining $197.6 million was for Federal technical assistance. The farmer rancher share was about $752 million.

GREAT PLAINS CONSERVATION PROGRAM ACCOMPLISHMENTS

Mr. DURBIN. What has been accomplished to date and when do you anticipate this program to end?

Mr. BRIDGE. Well over 154 million acres have been protected through whole farm resource management systems installed under GPCP contracts. A sampling of older expired contracts indicated that over 75 percent of the original treatment remains in operation. The program was extended until September 2000. The waiting list for contracts has tripled since 1987. By 2001, another 30 million acres will have been protected, but over 100 million acres will remain needing treatment.

GREAT PLAINS CONSERVATION PROGRAM RESULTS

Mr. DURBIN. Please provide a table similar to the one that appears on page 772 of last year's hearing record showing Great Plains Conservation Program results to reflect fiscal year 1992 actuals and 1994 estimates.

Mr. BRIDGE. I will be happy to provide that for the record.

[The information follows:]

	Fiscal Year		
	1992 actual	1993 estimate	1994 estimate
Active contracts, beginning of year:			
Number	5,780	6,336	6,536
Acres	17,597,400	19,384,149	19,935,000
New Contracts:			
Number	1,185	1,200	1,150
Acres	4,036,653	4,087,200	3,916,900
Contracts completed or terminated:			
Number	629	1,000	1,000
Acres	1,403,300	2,231,000	2,231,000
Participants served, (operating units):			
Number	6,965	7,536	7,686
Estimated annual benefits, (contracts completed each year):			
Erosion reduction—tons	5,332,540	8,477,800	8,477,800
Moisture conserved—ac./ins	266,627	423,890	423,890
Herbage increase—tons	290,483	461,800	461,800

Mr. DURBIN. Also, provide a table showing the number of contracts signed, the acreage involved, and both the Federal and non-Federal cost share for each State for fiscal year 1992.

Mr. BRIDGE. I will be happy to provide that for the record.

[The information follows:]

FY 1992 GPCP CONTRACTS SIGNED AND COST-SHARE DOLLARS

State	Number of active applications	New contracts 1992		Federal cost-share dollars	Estimated participant dollars
		Number	Acres		
Colorado	47	88	281,525	$1,504,054	$2,453,000
Kansas	11	240	133,925	1,797,722	2,931,000
Montana	179	62	446,351	1,589,784	2,592,000
Nebraska	138	136	255,225	1,501,143	2,449,000
New Mexico	17	36	860,379	1,476,023	2,408,000
North Dakota	208	96	188,471	1,126,535	1,837,000
Oklahoma	400	123	97,622	1,300,697	2,121,000
South Dakota	109	89	350,873	1,613,296	2,631,000
Texas	1,512	268	1,049,656	4,955,740	8,086,000
Wyoming	59	47	372,626	1,034,490	1,687,000
National Total	2,680	1,185	4,036,653	17,899,484	29,195,000

PATENTED PLANT RELEASES

Mr. DURBIN. At last year's hearing you stated that three or four plant releases were in the process of being patented. How many new releases in fiscal year 1992 were patented?

Mr. BRIDGE. Two cooperatively released plants were patented in 1992. Applications are being filed for patenting additional releases in 1993.

Mr. DURBIN. What differentiates those plants patented and those not patented?

Mr. BRIDGE. Executive Order 10096 treats new plant varieties as inventions. Patenting a plant variety is similar to patenting any other invention. It allows the owner of the patent to control its reproduction. The patent holder can exclusively authorize production by one or more producers. There are several advantages of doing this. It protects the use or misuse of the variety name, thus assuring the consumer of purchasing the superior plant the variety names implies.

Plant variety protection can greatly accelerate the rate of technology transfer by moving the new variety from the plant materials center to the consumer more quickly, and assuring that it will remain there. This happens because it creates the opportunity for producers who invest in the production and marketing of a variety to expect a reasonable return on their investment, which in turn encourages them to continue production. Many public Soil Conservation Service releases fail to become or remain commercially available because there is limited incentive for a grower to invest in production and advertising of a product that will equally benefit his competitor. Varieties which fail to remain commercially available represent the loss of the cost of developing them.

Plant variety protection combined with exclusive licensing help assure that critically needed conservation plants of limited demand will remain available for consumer use. Continued production protects Soil Conservation Service development costs. It also provides the opportunity to further accelerate technology transfer by rewarding the inventor and returning development funds to Soil Conservation Service.

NEW NATIONAL WATERSHED MANUAL

Mr. DURBIN. The 1990 Farm Bill made several changes to the Watershed Protection and Flood Prevention Act. New policy states that projects must have at least 20 percent agriculture related benefits, wetland and floodplain easements are eligible for 50-50 cost sharing, and water quality improvement may be a stand alone purpose for a watershed project. The rules, regulations, and details on how to implement these changes were to be included in the new National Watershed Manual. Has this manual been distributed to the States?

Mr. BRIDGE. Work on the new National Watershed Manual has been completed and it is currently being printed. Hard copies of the new manual will be distributed as soon as they are received. This should be sometime in the next four to six weeks. In the interim, each state office has been given a copy of the draft manual on computer disk.

RESPONSE TO NEW WATERSHED POLICY

Mr. DURBIN. What has been the response by States to these new policies? Has this increased the requests for assistance? If so, by how much?

Mr. BRIDGE. The initial response to the new provisions has been favorable. In fiscal year 1992, we had a 200 percent increase in the number of planning starts requested and granted. Most of our increased activity has been directed toward water quality improvement with interest in utilizing the wetland and floodplain provisions rapidly gaining strong support. The 20 percent agriculture related benefits requirement is viewed as favorable by most of the states, but it has had an adverse effect in two predominantly urban states.

AGRICULTURE RELATED WATERSHED POLICY

Mr. DURBIN. Do ongoing and backlogged projects have to comply with the 20 percent ag-related benefit provision or are they grandfathered?

Mr. BRIDGE. Those projects that were approved for operations prior to the changes in the law are not affected. Projects in planning were affected due to the change.

RIVER BASIN REQUESTS FOR 1992 AND 1993

Mr. DURBIN. For the record please provide a list of all new requests you received during fiscal year 1992 and so far in fiscal year 1993 for River Basin Surveys and Investigations assistance.

Mr. BRIDGE. I will be happy to provide a list of requests received for River Basin Surveys and Investigations assistance for fiscal year 1993, which were received in fiscal year 1992. In regards to new requests received so far is the third quarter of the fiscal year.

[The information follows:]

1. New Cooperative River Basin Study requests for fiscal year 1993 received during fiscal year 1992.

State	Study name
Alabama	ACT-AFC
Alaska	Statewide HUA Strategic Plan

State	Study name
California	Mugu Lagoon
California	San Elijo
Colorado	Lower South Platte River
Connecticut	Evaluation Process
Florida	Indian River Lagoon Estuary
Florida	Suwannee River (GA)
Florida	Telogia Creek
Georgia	Lake Lanier Water Quality
Indiana	Nonpoint Source Pollutants
Louisiana	Mermentau
Louisiana	Tech—Vermilion
Louisiana	Tensas
Maryland	NPS Assess. & Accounting System
Massachusetts	Historic Site Hazard Eval.
Massachusetts	Strategic Water Resources
Michigan	West Central Lower Michigan Coo
Mississippi	Deer Creek
Mississippi	Mississippi Delta Water Use Study
Mississippi	Pearl River Phase II
Missouri	State Water Plan
Montana	Montana Dam Breach Analysis
Nebraska	Yankee Hill Nonpoint Assessment
New Jersey	New Jersey Water Resource Management
New Mexico	New Mexico State Water Plan
New York	New York City Watershed
Ohio	Muskingum River
Oregon	Upper Grand Ronde
Rhode Island	Scituate Reservoir
Rhode Island	Strategic Water Resource Plan
Texas	Upper Trinity River Basin Coop
Vermont	Lake Champlain

2. New Floodplain Management Study requests for fiscal year 1993 received during fiscal year 1992.

State	Study name
Arkansas	Holly Grove
Arkansas	Stuttgart
Arkansas	West Jonesboro
Arizona	Chino Valley
Colorado	Calhan
Colorado	Four Mile Creek
Connecticut	Hosley Brook
Connecticut	Toilsome Brook
Georgia	Fannin County
Georgia	Union County
Kentucky	Beaver Creek, Frenchburg
Kentucky	Hinkston Creek—Mt. Sterling
Kentucky	Princeton—Karst
Maine	Capistic/Stroudwater
Maine	Sawyer Brook
Michigan	Matteson Lake/Little Swan Creek
Michigan	Owosso/Comstock Drain
Missouri	Marthsville's Town Branch
Montana	Gallatin River at Big Sky
New Hampshire	Saltmrsh Inventory
New Mexico	Chamberino
North Dakota	Lower Forest River
Ohio	Emergency Action Plans
Ohio	Hellbranch
Pennsylvania	Chartiers Run
West Virginia	Teays Valley

GREAT PLAINS CONSERVATION PROGRAM COST SHARE RATE

Mr. DURBIN. I understand that cost share rates are established within each State. Can you tell us what the average percentage cost share is for each State in the program?

Mr. BRIDGE. The rates of cost-share are established within each state and may not exceed 80 percent. Rates vary from practice to practice. Those that provide greater off-site benefits tend to have higher rates of cost-share. For example, in Kansas, practices that are eligible for cost-share are cost-shared at the 50 percent rate. However, Texas cost-shares on thirty-nine practicces, 25 at the 50 percent rate and 14 at the 75 percent rate.

Some practices required for resource protection in the contract are not cost-shared. These include some of the management type practices such as conservation tillage and crop residue use. The latest GPCP evaluation indicated that when all practices required by the contract were installed, Federal cost-share represented nearly 38 percent of the total cost.

ESTABLISHING GPCP COST-SHARE RATES

Mr. DURBIN. Specifically how are these cost share rates established within each State?

Mr. BRIDGE. Cost-shares are established to accomplish a specific purpose. Practices that have greater benefits offsite (public) require somewhat higher rates in order to encourage widespread adoption. Other practices where most of the benefit accrue to the landowner will be given lower rates of cost share. Some practices like irrigation systems are capped at $10,000 per contract by National policy. Some states, in an attempt to make their funds go further, have set rates at 50 percent for all cost-shared practices. Many practices required in a contract are not cost-shared at all.

TECHNICAL SERVICE CENTER COSTS

Mr. DURBIN. You have four technical service centers which operate to provide program coordination and technical support. Where are these centers located? What is the cost in both dollars and staff to operate these centers?

Mr. BRIDGE. The four technical service centers are located in Chester, Pennsylvania for the Northeast; Fort Worth, Texas for the South; Lincoln, Nebraska for the Midwest; and Portland, Oregon for the West. I will provide a table with the cost of these centers for the record.

[The information follows:]

TECHNICAL SERVICE CENTER COSTS, FY 1992

Center	Obligations	Staff years
Chester, Pennsylvania	$4,572,370	69
Fort Worth, Texas	18,895,389	257
Lincoln, Nebraska	13,240,102	220
Portland, Oregon	8,339,734	99
Total	45,047,595	645

COASTAL ZONE NONPOINT SOURCE POLLUTION CONTROL PROGRAMS

Mr. Durbin. The Environmental Protection Agency and the National Oceanic and Atmospheric Administration recently provided final guidance to States for implementing Coastal Zone Nonpoint Source Pollution Control Programs. Briefly describe these guidance standards and tell us your role in the implementation of these programs.

Mr. Bridge. The Management Measures for agriculture are described in an EPA brochure titled "Coastal Nonpoint Pollution Management Measures Guidance."

These measures are a combination of conservation practices developed by and used in USDA Conservation Programs. The approach utilizes the Conservation Management System described in SCS's Field Office Technical Guide.

Our role is two fold. States have 30 months from the publication of the guidance documents to develop a Coastal nonpoint Source Control Program that includes enforceable policies and mechanisms. We will work with the States. EPA, and NOAA in the development of these programs. To implement approval plans, there may be an increased demand for technical and financial assistance in the defined 6217 management areas.

It is possible that this demand will occur earlier as producers learn about the program and its requirements. Public meetings to explain these requirements are scheduled through August of 1993.

[The information follows:]

Coastal Nonpoint Pollution Management Measures Guidance

January 1993 | U.S. Environmental Protection Agency, Office of Wetlands, Oceans, and Watersheds

AGRICULTURE

What Is the Coastal Nonpoint Pollution Program?

Section 6217 of the Coastal Zone Act Reauthorization Amendments of 1990 (CZARA) requires coastal states (including Great Lakes states) with approved coastal zone management programs to address nonpoint pollution impacting or threatening coastal waters. States must submit Coastal Nonpoint Pollution Control Programs for approval to both the U.S. Environmental Protection Agency (EPA) and the National Oceanic and Atmospheric Administration (NOAA). Requirements for state programs are described in a document entitled *Coastal Nonpoint Pollution Control Program: Program Development and Approval Guidance* and are summarized in a separate fact sheet.

What Are Management Measures?

CZARA requires EPA, in consultation with NOAA and other federal agencies, to publish guidance specifying "management measures" to restore and protect coastal waters from specific categories of nonpoint source pollution. EPA has done so in a document entitled *Guidance Specifying Management Measures for Sources of Nonpoint Pollution in Coastal Waters*. State Coastal Nonpoint Programs must provide for implementation of these measures or alternative management measures in conformity with these measures in the coastal management area generally. "Management measures" are defined by law to be economically achievable measures that reflect the best available technology for reducing pollutants. States may select from a wide range of practices or combinations of practices that will achieve the level of control specified in the management measure. This fact sheet summarizes the management measures applicable to agricultural sources. Other fact sheets summarize the measures for forestry, urban areas, marinas and recreational boating, hydromodification, and wetlands/riparian areas.

What Are the Sources of Agriculture-Related Nonpoint Source Pollution?

The primary agricultural nonpoint source pollutants are nutrients (particularly nitrogen and phosphorus), sediment, animal wastes, pesticides, and salts. Agricultural nonpoint sources enter surface water through direct surface runoff or through seepage to ground water that discharges to a surface water outlet. Various farming activities result in the erosion of soil particles. The sediment produced by erosion can damage fish habitat and wetlands and, in addition, often transports excess agricultural chemicals resulting in contaminated runoff. This runnoff in turn affects changes to aquatic habitat such as temperature increases and decreased oxygen. The most common sources of excess nutrients in surface water from nonpoint sources are chemical fertilizers and manure from animal facilities. Such nutrients cause eutrophication in surface water. Pesticides used for pest control in agricultural operations can also contaminate surface as well as ground-water resources. Return flows, runoff, and leachate from irrigated lands may transport sediment, nutrients, salts, and other materials. Finally, improper grazing practices in riparian, as well as upland areas, can also cause water quality degradation.

MANAGEMENT MEASURES SUMMARY

SEDIMENT/EROSION CONTROL—Soil erosion is one of the leading causes of water pollution in the United States. The goal of this measure is to minimize the delivery of sediment from agricultural lands to receiving waters. Land owners have a choice of one of two approaches: (1) apply the erosion component of the U.S. Department of Agriculture's Conservation Management

System through such practices as conservation tillage, strip cropping, contour farming, and terracing *or* (2) design and install a combination of practices to remove settleable solids and associated pollutants in runoff for all but the larger storms.

CONFINED ANIMAL FACILITY—Animal waste contaminates many of our waters with pathogens and nutrients. The management measure for *all* new facilities and existing facilities over a certain size is to limit discharges from confined animal facilities to waters of the United States by storing wastewater and runoff caused by all storms up to and including the 25-year, 24-hour frequency storm. For smaller existing facilities, the management measure is to design and implement systems that collect solids, reduce contaminant concentrations, and reduce runoff to minimize the discharge of contaminants in both facility wastewater and runoff caused by all storms up to and including 25-year, 24-hour frequency storms.

This measure also specifies management of stored runoff and solids through proper waste utilization and use of disposal methods which minimize impacts to surface/ground water. Confined animal facilities required to obtain a discharge permit under the NPDES permit program are not subject to these management measures.

NUTRIENT MANAGEMENT—This measure calls for development and implementation of comprehensive nutrient management plans. The fundamentals of a comprehensive nutrient management plan include a nutrient budget for the crop, identification of the types and amounts of nutrients necessary to produce a crop based on realistic crop yield expectations, and an identification of the environmental hazards of the site. Other items called for in the measure include soil tests and other tests to determine crop nutrient needs and proper calibration of nutrient equipment.

PESTICIDE MANAGEMENT—This measure is designed to minimize water quality problems by reducing pesticide use, improving the timing and efficiency of application, preventing backflow of pesticides into water supplies, and improving calibration of pesticide spray equipment. A key component of this measure is use of integrated pest management (IPM) strategies. IPM strategies include evaluating current pest problems in relation to the cropping history, previous pest control measures, and applying pesticides only when an economic benefit to the producer will be achieved, i.e., application based on economic thresholds. If pesticide applications are necessary, pesticides should be selected based on consideration of their environmental impacts such as persistence, toxicity, and leaching potential.

LIVESTOCK GRAZING—The goal of this measure is to protect sensitive areas. Sensitive areas include streambanks, wetlands, estuaries, ponds, lake shores, and riparian zones. Protection is to be achieved with improved grazing management that reduces the physical distance and direct loading of animal waste and sediment caused by livestock by restricting livestock access to sensitive areas through a range of options. In addition, upland erosion is to be reduced by either: (1) applying the range and pasture components of a Conservation Management System or (2) maintaining the land in accordance with the activity plans established by either the Bureau of Land Management or the Forest Service. Such techniques include the restriction of livestock from sensitive areas through locating salt, shade, and alternative drinking sources away from sensitive areas, and providing livestock stream crossings.

IRRIGATION—This measure promotes an effective irrigation system that delivers necessary quantities of water yet reduces nonpoint pollution to surface waters and groundwater. To achieve this, the measure calls for uniform application of water based upon an accurate measurement of cropwater needs and the volume of irrigation water applied. When applying chemicals through irrigation (a process known as chemigation), special additional precautions apply. The measure also recognizes that states' water laws that conflict with the measure will take precedence over the measure.

SAFE DRINKING WATER ACT

Mr. DURBIN. The Safe Drinking Water Act has had a significant impact on agriculture. What is the additional costs to your agency that has resulted from this piece of legislation?

Mr. BRIDGE. It is difficult to identify any costs to this agency that are directly related to the Safe Drinking Water Act. Many of our projects address contaminated drinking water supplies.

Recently however, we were contacted by the Environmental Protection Agency to explore the assistance we might be able to provide to transient and nontransient communities seeking waivers from the testing requirements. If a role for SCS is defined in this process, the workload could be quite extensive.

Mr. DURBIN. Your statement mentions that the new drinking water supply standards would require New York City to spend between $6 and $8 billion in water treatment upgrades. You go on to say that the agricultural community and the city are working to resolve water quality concerns. What role are you playing in this issue and what is the cost to SCS for this involvement?

Mr. BRIDGE. We are coordinating investigations in the New York City water supply watershed area that includes identifying agriculture producers in the eight county watershed area, determining landuse, landcover, nutrient, and pesticide management needs and conditions.

SCS is currently evaluating agriculture waste management, both present and future conditions, especially looking at the volume of manure produced, storage methods available, and proper waste utilization.

Other sources of nonpoint source pollution such as point source, salt storage sheds, stormwater discharges, road salt runoff hydromodification, and construction sites are being located. This data will be entered into a geographic information system using a global positioning technique.

SCS staff are working with the New York City Department of Health to maintain production agriculture in the watershed drainage area. Total resource conservation plans are being developed on ten demonstration farms by SCS. These model farms will demonstrate Best Management Practices used throughout the watershed to reduce the impacts of agriculture-related nonpoint sources of pollution.

A Watershed Coordinator has been hired by SCS to coordinate activities between the New York City Department of Health, New York City Department of Environmental Protection, the Soil Conservation Districts in the eight county areas, Cornell University and the Cooperative Extension Service, the State Conservation Committee, the Water Resources Institute, and the United States Geological Survey.

The cost to SCS for the New York City Watershed Initiative is about $250,000 annually.

Mr. DURBIN. When will the Clean Water Act be reauthorized?

Mr. BRIDGE. The Clean Water Act Reauthorization Hearings are underway now. A total of seven are scheduled. Action is expected on some provisions this year.

TECHNICAL ASSISTANCE FOR TOBACCO PRODUCERS

Mr. DURBIN. How much of your total budget goes towards providing technical assistance to tobacco producers.

Mr. BRIDGE. SCS does not keep records for determining how much of the total budget goes toward providing technical assistance to any group of producers. However, it would represent a very small part of our budget. We provide assistance on a voluntary basis to anyone that will accept our technical advice to conserve our natural resources.

Mr. DURBIN. Describe this assistance in further detail.

Mr. BRIDGE. The technical assistance that we provide to tobacco producers is in many ways no different than what we do for other commodity producers. Many times we are working with small producers. If their land is highly erodible, then we recommend strategies for reducing the erosion. We would probably recommend cover crops because tobacco plants leave very little residue after harvest.

Mr. DURBIN. Thank you very much.

Mr. Skeen?

Mr. SKEEN. Thank you, Mr. Chairman.

And good morning, SCS.

Mr. BRIDGE. Good morning.

SCS PERSONNEL LEVELS

Mr. SKEEN. And America. Excuse the voice. It is not the diesel in the water, I do not think. But it is smelling it over the 14th Street bridge. We need a few conservation practices there.

Let us go back to the key, I think, to some of the problems that SCS is having with personnel and keeping personnel levels up, in constricting agricultural areas of this country. And now you are being criticised for having too many field offices in too many different places. But SCS has had a chronic problem keeping personnel levels up.

Am I correct in that assumption?

Mr. BRIDGE. We have maintained about the same personnel levels for some time period now. The problem has been that we have had tremendous increases in work loads, particularly as it relates to the Food Security Act, and highly erodible land compliance issues, Swampbuster, and so on.

Mr. SKEEN. You have had an expansion of responsibility.

Mr. BRIDGE. We have had to shift priorities from the part of the country that you come from, in terms of range conservation and conservation activities, and provide much more focus on cropland than what we have historically done.

Mr. SKEEN. That is one of the things that I want to talk about, too.

Have you constricted the number of field offices that you have been operating? We are having a terrible time with it in rural areas. Now there are a lot of places in the United States that you can criticize the placement of offices. But then some of the places in the rural country can not be painted with a broad brush. Some proposals would send these people 200 or 300 miles to get the same service that they used to drive 40 or 50 miles. They are not griping about it, except that it takes a whole day to do it.

Mr. BRIDGE. Can I make a couple of comments about SCS field offices?

Mr. SKEEN. I was opening the door for you, and it is an invitation.

Mr. BRIDGE. In the first place, as part of the Madigan study, we did identify about 375 offices across the country that could be consolidated based on the criteria that was used for that study.

One concern is that the average distance between offices of the Soil Conservation Service nationwide is about 18 miles.

Mr. SKEEN. Say that again.

Mr. BRIDGE. The average distance between our offices on a national average is about 18.5 miles. That is the way that the crow flies now, and it does not always work if you have got mountains.

Mr. SKEEN. We have got a lot of crows.

Mr. BRIDGE. I have some real concerns, as I look at the western states. I have worked out there for a number of years—and I say this at the risk of my good friends in the East—that we ought not to even be looking at USDA field offices west of the 100th meridian. There are not that many out there. You have already got them spread out so far that people are driving forever to get where they need to go.

I do think that there are some opportunities to consolidate some things, as we head down the road and look at increases in efficiencies and so on. Particularly as the costs of computerization increase. We need to look at some of these offices that just do not have much distance between them. But it is not a western issue, Congressman.

Mr. SKEEN. Not a western issue?

Mr. BRIDGE. Not in my mind.

Mr. SKEEN. Would you mind providing us with a list of the current unfilled field office positions throughout the agency by state for the record?

Mr. BRIDGE. We could do that.

Mr. SKEEN. I would appreciate that.

Mr. BRIDGE. There are about 70 or 80.

Mr. SKEEN. And give me how long it typically takes to fill a field office vacancy.

Could you do that for me?

Mr. BRIDGE. Sure.

[The information follows:]

SOIL CONSERVATION SERVICE				
4/1/93				
BUDGETED VACANCIES				
STATE	ESTIMATED IN DATE	POSITION TITLE	GRADE/ STEP	LOCATION
Alabama	7/11/93	Soil Cons. Tech.	7/1	Linden FO
	7/11/93	Dist. Cons.	9/1	Ashland FO
	7/11/93	Dist. Cons.	9/1	Chatom FO
	6/13/93	Dist. Cons.	11/1	Alexander City FO
	6/13/93	Dist. Cons.	11/1	Eutaw FO
	6/13/93	Dist. Cons.	11/1	Carrollton FO
	6/13/93	Dist. Cons.	11/1	Fayette FO
Alaska	No Bud. Vac.			
Arizona	5/2/93	Dist. Cons.	11/1	Window Rock
	6/13/93	Agric. Eng.	9/1	Casa Grande
	4/18/93	Dist. Cons.	11/3	Chandler
	4/18/93	Range Cons.	7/1	Douglas
	6/13/93	Range Cons.	9/1	Springerville
Arkansas	5/2/93	Soil Cons. Tech.	5/1	Marion
	5/2/93	Soil Cons. Tech.	5/1	Melbourne
	5/2/93	Soil Cons. Tech.	5/1	Mountain View
	6/13/93	Area Cons.	13/3	Jonesboro
California	No Bud. Vac.			
Colorado	No Bud. Vac.			
Connecticut	No Bud. Vac.			
Delaware	8/8/93	Soil Cons.	7/1	Kent FO
Florida	9/1/93	Soil Cons.	5/1	Marianna FO
	4/18/93	Soil Cons. Tech.	6/1	Marianna FO
Georgia	5/2/93	Soil Cons.	7/1	Metter FO
	6/13/93	Soil Cons.	7/1	Americus FO
	8/8/93	Soil Cons.	7/1	Blakely FO
Hawaii	5/30/93	Range Cons.	11	Hawaii FO
	5/16/93	Soil Cons. Tech.	4	Hawaii FO
	5/16/93	Soil Cons. Tech.	4	Hawaii FO
	5/16/93	Soil Cons.	9/11	Honolulu FO
	5/16/93	Soil Cons.	9	Lihue FO
	5/2/93	Soil Con. Aid	1	Molokai FO
	5/16/93	Soil Con. Aid	3	Molokai FO
	5/30/93	Range Cons.	9	Wailuku FO
Idaho	5/3/93	Dist. Cons.	11/5	Couer d'Alene
	5/3/93	Soil Cons. Tech.	5/1	Emmett
	5/30/93	Soil Cons. Tech.	7/1	St. Maries
	4/19/93	Soil Cons.	7/1	Idaho Falls
	7/25/93	Soil Cons. Tech.	8/1	Idaho Falls
	7/1/93	Range Cons.	9/1	Rexburg
	7/11/93	Dist. Cons.	11/4	Marsing
	5/3/93	Coop Stud. Trn.	4/1	Blackfoot
	5/3/93	Coop Stud. Trn.	4/1	Pocatello
	5/3/93	Coop Stud. Trn.	4/1	Twin Falls
Illinois	6/13/93	Dist. Cons.	9/1	Hardin, IL
	7/11/93	Dist. Cons.	9/1	Metropolis, IL
	6/13/93	Soil Cons. Tech.	6/1	Waterloo, IL

SOIL CONSERVATION SERVICE				
4/1/93				
BUDGETED VACANCIES				
STATE	ESTIMATED IN DATE	POSITION TITLE	GRADE/ STEP	LOCATION
Indiana	6/13/93	Dist. Cons.	11/1	Shelbyville
	6/13/93	Soil Cons.	7/1	South Bend
	6/13/93	Soil Cons.	9/1	Sullivan
	6/13/93	Soil Cons.	5/1	Columbia City
Iowa	5/16/93	Dist. Cons.	9/1	Sibley
	7/11/93	Soil Cons. Tech.	5/1	Rock Rapids
	5/16/93	Dist. Cons.	9/1	Humboldt
	5/16/93	Dist. Cons.	9/1	Northwood
	4/18/93	Soil Cons. Tech.	5/1	Burlington
	5/16/93	Soil Cons.	9/1	Muscatine
	5/16/93	Civil Eng. Tech.	4/1	Atlantic
	6/13/93	Soil Cons.	5/1	Marshalltown
	6/13/93	Soil Cons.	5/1	Leon
	6/13/93	Soil Cons.	7/1	Williamsburg
	6/13/93	Soil Cons.	7/1	Newton
Kansas	4/18/93	Soil Cons. Tech.	4/1	S. Hutchinson FO
	4/18/93	Soil Cons.	7/2	St. John FO
	6/27/93	Soil Cons. Tech.	4/2	Stockton FO
	7/11/93	Soil Cons. Tech.	6/2	Sublette FO
	5/16/93	Dist. Cons.	12/1	Topeka FO
	5/16/93	Soil Cons.	5/1	Ellsworth FO
	5/16/93	Soil Cons.	5/1	Hays FO
	6/27/93	Soil Cons. Tech.	6/1	Atwood FO
Kentucky	4/4/93	Dist. Cons.	11/1	Paducah FO
	5/30/93	Dist. Cons.	11/1	Whitesburg FO
	5/30/93	Dist. Cons.	11/1	Prestonsburg FO
Louisiana	5/2/93	Soil Cons. Tech.	6	West Monroe FO
	5/2/93	Soil Cons. Tech.	6	Franklin
	5/16/93	Dist. Cons.	11	St. Joseph
	5/16/93	Dist. Cons.	9	Franklin
	5/16/93	Soil Cons.	9	Lake Charles
	5/16/93	Soil Cons.	9	Leesville
	5/16/93	Range Cons.	9	Leesville
	5/16/93	Soil Cons. Tech.	6	Leesville
	5/31/93	Dist. Cons.	11	DeRidder
	7/25/93	Dist. Cons.	9	Homer
	7/25/93	Soil Cons. Tech.	6	Mansfield
	7/25/93	Soil Cons. Tech.	6	New Orleans
	7/25/93	Soil Cons. Tech.	7	Donaldsonville
Maine	No Bud. Vac.			
Maryland	6/27/93	Dist. Cons.	11/12	Bel Air
Massachusetts	5/16/93	Soil Cons.	7/1	Taunton FO
Michigan	5/30/93	Soil Cons.	7/1	Adrian FO
	5/30/93	Soil Cons.	7/1	Caro FO
	8/22/93	Soil Cons.	7/1	Mason FO
	9/19/93	Soil Cons.	7/1	Bay City FO
	9/19/93	Soil Cons.	7/1	Hastings FO

SOIL CONSERVATION SERVICE				
4/1/93				
BUDGETED VACANCIES				
STATE	ESTIMATED IN DATE	POSITION TITLE	GRADE/ STEP	LOCATION
	9/19/93	Soil Cons.	7/1	Saginaw FO
Minnesota	6/13/93	Dist. Cons.	11/1	Mahnomen
	8/18/93	Soil Cons. Tech.	4/1	Duluth
	5/16/93	Dist. Cons.	11/1	Farmington
	6/13/93	Dist. Cons	11/1	Redwood Falls
	6/13/93	Soil Cons. Tech.	7/1	Litchfield
Mississippi	5/30/93	Dist. Cons.	11/2	Mason, MS
Missouri	No Bud. Vac.			
Montana	No Bud. Vac.			
Nebraska	10/1/93	Soil Cons. Tech.	7/1	Alliance FO
	10/1/93	Soil Cons. Tech.	7/6	O'Neill FO
	10/1/93	Soil Cons. Tech.	7/1	Albion FO
	10/1/93	Soil Cons. Tech.	7/1	Grand Island FO
	10/1/93	Soil Cons. Tech.	7/1	Tecumseh FO
	10/1/93	Soil Cons.	9/6	Benkleman FO
	10/1/93	Soil Cons.	9/1	Loup City FO
	10/1/93	Dist. Cons.	11/7	West Point FO
	10/1/93	Water Mgt. Spec.	11/2	Oshkosh FO
	5/16/93	Soil Cons. Trainee	5/1	Chadron FO
	5/16/93	Soil Cons. Trainee	5/1	Scottsbluff FO
	5/16/93	Soil Cons. Trainee	5/1	Schuyler FO
	5/16/93	Soil Cons. Trainee	5/1	Curtis FO
	5/16/93	Soil Cons. Trainee	5/1	Falls City FO
	5/16/93	Soil Cons. Trainee	5/1	Omaha FO
	5/16/93	Soil Cons. Trainee	5/1	Beatrice FO
	5/16/93	Soil Cons. Trainee	5/1	Broken Bow FO
	5/16/93	Soil Cons. Aid	4/1	Fremont FO
	5/16/93	Soil Cons. Aid	4/1	David City FO
	5/16/93	Soil Cons. Aid	4/1	Weeping Water FO
Nevada		Soil Cons. Tech.	5	Battle Mtn.
		Clerk Typist	3	Elko
		Soil Cons. Tech.	4/5/6	Ely
		Range Cons.	11	Fallon
		Soil Cons.	9	Las Vegas
		Soil Cons. Tech.	5	Las Vegas
		Civil Engr.	7	Las Vegas
		Soil Scientist	7	Reno
		Soil Cons.	9	Reno
		Soil Cons.	9	Winnemucca
New Hampshire	7/1/93	Soil Scnst. Trn.	5/1	Concord, NH
New Jersey	No Bud. Vac.			
New Mexico	6/13/93	Civil Engr.	11/2	Santa Fe Des. Unit
	5/16/93	Civil Engr.	5/1	Artesia Proj. Of.
	5/30/93	Dist. Cons.	11/2	Crownpoint FO
	6/13/93	Range Cons.	9/1	Santa Rose FO
	5/30/93	Soil Cons.	9/1	Lordsburg FO
	6/13/93	Soil Cons.	9/1	Lovington FO

SOIL CONSERVATION SERVICE				
4/1/93				
BUDGETED VACANCIES				
STATE	ESTIMATED IN DATE	POSITION TITLE	GRADE/ STEP	LOCATION
	6/13/93	Soil Cons.	9/1	Portales FO
	7/11/93	Soil Con. Tech.	7/1	Las Cruces FO
	7/11/93	Soil Con. Tech.	6/1	Santa Fe FO
	7/11/93	Soil Con.	9/1	Roswell FO
New York	No Bud. Vac.			
North Carolina	5/16/93	Soil Cons.	9/4	Kennansville
	5/30/93	Dist. Cons.	11/3	Asheboro
	5/16/93	Dist. Cons.	9/1	Albemarie
North Dakota	5/2/93	Soil Cons. Tech.	4/1	Ashley, FO
	5/2/93	Agron. Trainee	4/1	Bismarck FO
	5/10/93	Soil Cons. Tech.	4/1	LaMoure FO
	5/16/93	Soil Cons. Trainee	4/1	Lisbon FO
	5/16/93	Soil Cons. Trainee	4/1	Cando FO
	5/16/93	Biologist Trainee	4/1	Jamestown FO
	5/16/93	Biologist Trainee	4/1	Devils Lake FO
	6/13/93	Soil Cons.	7/1	Mandan FO
Ohio	5/16/93	Dist. Cons.	11/1	Upper Sandusky
	5/16/93	Dist. Cons.	11/1	Urbana
	5/2/93	Dist. Cons.	11/1	Findlay
	4/19/93	Soil Cons. Tech.	4/1	Marysville
Oklahoma	5/16/93	Dist. Cons.	11/1	Shattuck
	5/16/93	Dist. Cons.	11/1	Walters
	5/2/93	Soil Cons. Tech.	5/1	Clinton
	4/18/93	Soil Cons. Tech.	5/1	Claremore
	5/2/93	Soil Cons. Tech.	5/1	Newkirk
	5/2/93	Soil Cons.	7/1	Jay
	4/18/93	Soil Cons.	7/1	Medford
	5/2/93	Soil Cons.	7/1	Beaver
Oregon	6/27/93	Soil Cons.	11/5	Johnday
	6/27/93	Soil Cons.	12/5	Pendleton
	7/11/93	Soil Cons.	11/1	Pendleton
Pennsylvania	5/10/93	Soil Scientist	7/2	Milford, PA
Rhode Island	5/2/93	Soil Cons.	5/1	Middletown
	5/2/93	Soil Cons. Tech.	5/1	Greenville
South Carolina	No Bud. Vac.			
South Dakota	5/16/93	Dist. Cons.	12/1	Herreid
	11/18/93	Soil Cons. Tech.	4/1	Brookings
Tennessee	No Bud. Vac.			
Texas	10/3/93	Soil Cons.	9/1	Rio Grande City
	10/3/93	Soil Cons.	9/1	Memphis
	6/27/93	Soil Cons.	9/1	Franklin
	10/3/93	Soil Cons.	9/1	LaGrange
	11/14/93	Soil Cons.	9/1	Matador
	7/11/93	Soil Cons.	9/1	Gilmer
	5/30/93	Soil Cons.	9/1	Coleman
	8/8/93	Soil Cons.	9/1	Hillsboro
	8/22/93	Soil Cons.	9/1	Bartlett

SOIL CONSERVATION SERVICE				
4/1/93				
BUDGETED VACANCIES				
STATE	ESTIMATED IN DATE	POSITION TITLE	GRADE/ STEP	LOCATION
	7/11/93	Range Cons.	9/2	Goliad
	10/3/93	Range Cons.	9/1	Hereford
	11/28/93	Range Cons.	9/1	Post
	11/28/93	Range Cons.	9/1	Ft. Stockton
	12/12/93	Range Cons.	9/1	Haskell
	6/13/93	Soil Cons. Tech.	6/3	Robstown
	6/13/93	Soil Cons. Tech.	7/3	Victoria
	6/27/93	Soil Cons. Tech.	4/1	Wharton
	11/14/93	Soil Cons. Tech.	4/1	Brownfield
	6/13/93	Soil Cons. Tech.	7/2	Clarksville
	9/5/93	Soil Cons. Tech.	4/1	Sherman
	6/27/93	Soil Cons. Tech.	4/3	Gainesville
	8/8/93	Soil Cons. Tech.	4/1	Knox City
	12/12/93	Soil Cons. Tech.	4/1	Mineral Wells
Utah	5/16/93	Soil Scientist	11/4	Cedar City
Vermont	No Bud. Vac.			
Virginia	5/12/93	Soil Cons.	9/1	Verona FO
	5/30/93	Soil Cons.	9/1	Harrisonburg FO
Washington	4/18/93	Soil Cons. Tech.	7/1	Montesano, WA
	4/18/93	Soil Cons. Tech.	7/1	Puyallup, WA
West Virginia	6/27/93	Dist. Cons.	11/1	Berkeley Springs FO
	6/27/93	Soil Cons.	7/1	Berkeley Springs FO
	6/27/93	Soil Cons.	7/1	Keyser FO
	6/27/93	Soil Cons.	7/1	Petersburg FO
	6/27/93	Soil Cons. Tech.	4/1	Union FO
	6/27/93	Civil Eng. Tech.	6/1	Petersburg WO
Wisconsin	5/2/93	Soil Cons.	9/1	Balsam Lake FO
	4/18/93	Soil Cons. Tech.	8/1	Medford FO
Wyoming	9/19/93	Dist. Cons.	11/6	Lovell, WY
Pacific Basin	5/16/93	Soil Cons. Tech.	3/4	Guam FO
	5/16/93	Soil Cons. Tech.	3/4	Saipan
	5/2/93	Soil Con. Aid	2/3	Saipan
	5/16/93	Soil Cons. Tech.	5/16	Tinian
Puerto Rico	5/16/93	Soil Cons.	5/1	Utuado FO
	4/18/93	Soil Cons.	7/1	Caguas FO
	5/16/93	Soil Cons.	9/1	Corozal FO

STATE AND LOCAL FUNDING CONTRIBUTIONS

Mr. SKEEN. And I would like to ask you a question on state and local participation. States have had similar budget problems in meeting their portion of participation funding.

States budgets are being constricted, what kind of effect does that have on your field force operation?

Mr. BRIDGE. We have not seen a big downward trend at this point, although I keep hearing stories from the countryside that things are getting cut out there this current year.

Mr. SKEEN. That means that you have to deal with the situation with 50 separate entities?

Mr. BRIDGE. Right. It is state government appropriations and a lot of it comes out of counties.

Mr. SKEEN. Yes, sir. And then magnify that number by the number of counties.

Mr. BRIDGE. Right. The conservation districts and other state and local agencies are currently contributing about $530 million to conservation activities.

Mr. SKEEN. You have got something like $290 million from state offices and $203 million from local governments.

Mr. BRIDGE. In total, they are contributing about a half a billion dollars.

Mr. SKEEN. About a half a billion.

Mr. BRIDGE. They have about the same number of employees located in field offices as the Soil Conservation Service does.

Mr. SKEEN. The locals do?

Mr. BRIDGE. That is right. In states like Ohio, you will find more people working for districts than there are for SCS in those local offices. As you get into New Mexico, you will find that the ratio flips around.

Mr. SKEEN. Let us go back to the enforcement picture, are they enforcement people as well?

Mr. BRIDGE. They have been very helpful in terms of helping us to develop plans, carry out reviews, and so on.

Mr. SKEEN. The state and local governments help in that effect?

Mr. BRIDGE. You bet they have. They have probably been our salvation in many respects.

WATERSHED PROJECTS FOR ECONOMIC STIMULUS

Mr. SKEEN. We talked last year about the help that you give rural communities in planning and constructing watershed projects. The Administration has already requested some $47 million for watershed and flood prevention in the stimulus bill.

What does this do to your budget, or have you already planned the use of that funding?

Mr. BRIDGE. We have a sizable backlog of projects that are available and could be quickly started up. That $47 million would take care of some of that.

Mr. SKEEN. Would there be hirings as well?

Mr. BRIDGE. I do not think that we would hire additional SCS people. The real stimulus would be in the construction activities.

Mr. SKEEN. The construction activity.

Mr. BRIDGE. It would involve private contractors primarily.

Mr. SKEEN. So it is not planned to add personnel?
Mr. BRIDGE. No.
Mr. SKEEN. Mostly it would be the watershed projects.
Mr. BRIDGE. It would be very minor, if we do.

GRAZING LANDS ASSISTANCE

Mr. SKEEN. Let us go back to grazing lands. You deemphasized your interest, the SCS, in grazing lands, particularly in crop reduction areas and things of that kind.

Do you think this is a sound philosophy?

Mr. BRIDGE. I do not over the long pull. We have had to make some very difficult choices of either putting our people where farmers are faced with some tremendous deadlines and loss of benefits, or trying to continue on with some of the range management assistance.

Mr. SKEEN. It is slower paced I think on the grazing lands.

Mr. BRIDGE. Well, it is. But now we are running into problems with endangered species, and other issues that involve grazing land.

Mr. SKEEN. Oh, yes. We have got all kinds of things. We have got the humpedback horn-nosed flea.

Mr. BRIDGE. A lot of that stuff.

Mr. SKEEN. Yes.

Mr. BRIDGE. I think that as grazing fees go up, you are going to see more livestock coming back on private lands, with more pressure on private lands. Somebody needs to be helping with that situation.

Mr. SKEEN. You are familiar with the grazing lands conservation initiative?

Mr. BRIDGE. Yes, sir.

Mr. SKEEN. The technical assistance that is going to be provided. That is of a secondary priority to you, or a less priority? You can be honest.

Mr. BRIDGE. We are very sympathetic to that.

Mr. SKEEN. You are sympathetic.

Mr. BRIDGE. I am very aware of it, but I would be concerned that if the Committee diverted a bunch of money into it, given the constraints that you are faced with, it would add to the problems at hand.

Mr. SKEEN. It is what got us into the problem with the Great Plains program.

Mr. BRIDGE. Right.

Mr. SKEEN. It was too much, too fast, over too long a period of time.

Mr. BRIDGE. Yes.

Mr. SKEEN. I would just say to you that I have appreciated all through the years the technical assistance that SCS gives to the ranching and farming community. You have done an outstanding job, and I would hate to see it take second place as far as the priorities, either in grazing or in crop reduction. I commend you on your program. And I appreciate you being here this morning.

And those are all of the questions that I have, Mr. Chairman.

Mr. DURBIN. Thank you, Mr. Skeen. I might tell the rest of the members of the Committee that the special presentation that Mr. Skeen was going to give on the humpedback horn-nosed flea is going to be put off until next week. [Laughter.]

Mr. DURBIN. Mr. Peterson?

Mr. PETERSON. Thank you, Mr. Chairman. I do not want to miss that hearing. We have some creatures in Florida that will match that one.

CONSERVATION PROGRESS

I just have a couple of questions. As somewhat of a neophyte on this Committee, looking at the agency that has been in place for 58 years and has nearly 14,000 employees, you would think that you would have the job done by now essentially. And it does disturb me that we have, though you say it facetiously, that we have purchased the Louisiana Purchase three or four times, I guess, in the process of doing this.

And then I assume from that that your mission has changed. That you have gathered more responsibilities or additional mandates to have kept you rolling on this.

Can you give me a little insight as to why we continue to go back and re-evaluate farm practices? Is this a situation where technology has insisted that we go back and have new compliance, or what is it going to take to get us through all of these farms that you have to deal with?

And then the final question is, it seems to me, that we do encourage the use of marginal land. Our programs are supportive of that in some ways, it seems to me. And maybe if that is wrong, you can correct me.

Mr. BRIDGE. The role of the Soil Conservation Service has changed some over time. But I think that it is not so much that we have aggressively gone after new roles and functions as it is a reflection of what has happened to American agriculture, and the expectations of the public from American agriculture.

Early on, we spent a lot of time concentrating on protecting this country from erosion problems, trying to maintain its future productivity. We concentrated on helping individual farmers keep their production systems in place, and not get beat up by erosion problems.

That role has changed to a much broader reflection now on environmental issues on the off-site impacts of agricultural production. American agriculture obviously has changed tremendously in terms of the mechanization issues, and the amount of land, and crops.

I do have some observations about some of the things that encourage marginal lands to stay in production. I would suggest to you that farm bills do that in terms of commodities, subsidization, and so on.

I worked in the Palouse area of the State of Washington for a number of years, one of the most highly erosive places in this country and one of the most productive ones. We had farm bills in place at that time that probably could not have been more destructive, in terms of encouraging new land to come into production, continuous

production, that had a very adverse impact on farmland, on agricultural land, and the environment.

There are a lot of things that contribute to keeping marginal land in production, but we are seeing continuous progress in terms of solving environmental problems. The problems keep changing on us a little bit, particularly as it relates to water quality. Fifteen years ago, we did not think much about that. Now we are very concerned about non-point source pollution as it relates to agriculture.

So it is a changing target and a changing set of issues. I do not think that we will ever make all of the farms and ranches 100 percent in this country in terms of environmental protection, and future productivity.

Mr. PETERSON. In regard to the marginal land issue, obviously your colleagues within the Department are either on board or off board on that.

Are you communicating your concerns to the right people in that regard, or is it something that is driven up here, are we driving it up here?

Mr. BRIDGE. It is some of both, but I would suggest to you that the Department, particularly since 1985, has become much more sensitive to the environmental concerns related to farm bills. Certainly the cross-compliance requirements are a positive step. If you are farming highly erodible land, you have to have a plan in place and be following that. It is a tremendous demonstration of the Department's commitment to that.

Mr. PETERSON. But the penalty for not complying is really not terribly severe. We talked about the fact that half of the appeals are being approved. And then, as I understand it, what used to be something like $60 an acre or something like that is now down to $20 in subsidy value. That's not much leverage.

Is that all wrong?

Mr. BRIDGE. If you are found out of compliance, chances are you are going to lose the total benefit package that you get from the Department of Agriculture. That can run anywhere from $50,000 on up. Obviously, it can be less than that, too.

Mr. PETERSON. But in your experience, how many times have you ever done that?

Mr. BRIDGE. Several times.

Mr. PETERSON. A hundred times?

Mr. BRIDGE. Yes, at least.

Mr. PETERSON. 123 times? That is all you gave us, I think.

Mr. BRIDGE. Yes, the ASCS, in 1990, denied benefits to 428 farms; in 1991, 600; and in 1992, 504. It's been an accumulated denial of about $6 million. I am aware of a few of those that have been fairly significant.

Now, we are changing our process of doing status reviews and the farms we look at in terms of compliance from what we have been doing. We are using the approach that IRS uses in that we are concentrating on producers that are collecting the larger amounts of money.

In other words, if you collect upwards of $400,000 from the federal government, you get about an 70 to 80 percent chance of being checked. If you are only collecting $5,000, you probably have about

a .01 percent chance of getting checked. So we are concentrating on where the money is flowing, and that's a new approach to us.

Mr. PETERSON. I applaud that effort, because of your earlier statement having to do with your inability to do the enforcement action you need to do.

WETLANDS DEFINITION

Just one last question. Whose wetlands definition do you use in the process of making your evaluation?

Mr. BRIDGE. I would like to be funny and say mine, but I will not.

Basically, we are coming from the guidance that we have in the 1990 Farm Bill that wetlands have to be saturated to the surface or inundated for 14 continuous days in the growing season unless it is a pothole. If it is a pothole, you go back to seven days of flooding.

Now, translating that from a definition to the determination in the field is not easy. You are not there during those 14 days, and so we are using various kinds of mapping conventions, the series of slides that we have available to us of those landscapes, so we can look at what vegetative cover and some of those types of things.

Mr. PETERSON. Well, none of the seven other formal governmental definitions of wetland have fit your needs then?

Mr. BRIDGE. We are very close to what the Corps of Engineers and EPA uses.

Mr. PETERSON. I was just informed that your denials of $6 million is out of something like $10 billion.

Mr. BRIDGE. That is right.

Mr. PETERSON. So we are looking at peanuts actually, are we not, in the overall? [Laughter.]

Mr. PETERSON. And we want to talk about that at another time. But I just want to mention that I am concerned that we have all of this land out there, and I know that you have noted that it is highly erosive and in all logic should not be in production. And if those folks are not complying, then we just simply cannot nod and wink at it.

Mr. BRIDGE. I could not agree more.

Mr. PETERSON. So that is all I have. Thank you.

Mr. DURBIN. Mr. Pastor?

Mr. PASTOR. Thank you, Mr. Chairman.

STATUS OF EMERGENCY WATERSHED PROTECTION FUNDS

Good morning. My interest is in the status of the $12 million from the 1992 emergency watershed protection funds. You made a request to OMB.

What is the status of it?

Mr. BRIDGE. Gary, do you want to comment on that?

Mr. MARGHEIM. Congressman, I understand that we will soon get that money. We have not received it yet, but it is my understanding that a request has been forwarded to the appropriate committees of Congress and the money will soon be forthcoming.

Mr. PASTOR. How do we define soon, since we have been anticipating the distribution of these funds for some time now. Soon can be a relative term.

Mr. MARGHEIM. I would hope within the next couple of weeks we will have the emergency funds.

Mr. PASTOR. Okay. What is the total amount of the pending request presently before you for the Emergency Watershed Protection Program?

Mr. BRIDGE. Fifteen million.

Mr. PASTOR. Fifteen million.

And what is the estimated need for the funds for the Emergency Watershed Protection work in Arizona?

Mr. BRIDGE. $8.5 million is requested for Arizona.

Mr. PASTOR. 8.5. How quickly could you allocate the monies to pending projects if they were released in two weeks or sooner?

Mr. BRIDGE. Very rapidly.

Mr. PASTOR. Very rapidly.

Mr. BRIDGE. It is just a matter of a day or two.

Mr. PASTOR. Okay.

Mr. BRIDGE. We have already done the assessment in Arizona and the work is ready to go.

Mr. PASTOR. Okay. Thank you very much.

Mr. DURBIN. Mr. Smith?

CHANGES IN COMPLIANCE PLANS

Mr. SMITH. You say that 58 percent of the planned acreage is now fully implemented with conservation practices.

Are they changing the plans on some of that 58 percent?

Mr. BRIDGE. There are some substitutions being made in those plans, especially in states like Iowa where we had heavy concentrations of terraces involved in those plans. People may be choosing to go to no-till, or more residue management kinds of approaches, but that does not let them off the hook in terms of achieving whatever is required in that year.

Mr. SMITH. I have been told that in some instances, were producers had a plan that called, for example, a no-till on soybean grounds in soybeans last year, and maybe a 40 percent residue balance on what was in corn when they go to soybeans. Then they come along with a new plan that says, no, we will not permit that, we have a different plan for you. It might be complete no-till.

Mr. BRIDGE. No.

Mr. SMITH. You do not think that is happening?

Mr. BRIDGE. Not unless it is at the producer's choice.

Mr. SMITH. No, I am not talking about producer's choice.

Mr. BRIDGE. No, we have had guidance from the Congress that we could not make those plans anymore stringent than what they were in 1991, when we set up the standards in the Farm Bill. We try to not tell people how to farm out there, but help them with the alternatives.

Mr. SMITH. How do you define more stringent? You are doing that by determining whether or not you reach T or not, and then you change the definition of what T is.

Mr. BRIDGE. No, we have not changed the definition of T, and we are not trying to achieve T on compliance lands.

Mr. SMITH. Well, I think you better check this out because I have been told very specifically of instances where they have changed

the plans on producers after they had thought they were fully implemented, and in that exact manner. In other words, they say now you have got to go to no-till continuous corn, where they originally were not told they had to do that. I am not positive about this part, but I think it has to do with the way they measured soil erosion on those tillage practices.

Mr. BRIDGE. I think I know what you are referring to, and it is a new soil loss equation that has just been released by the Agricultural Research Service called the Revised Universal Soil Loss Equation, or RUSLE.

Mr. SMITH. Okay.

Mr. BRIDGE. There have been some articles in the Farm Journal about it. We are looking at that, but we have not implemented it yet. It is not going to require any more stringent protection——

Mr. SMITH. In other words, if somebody was told two years ago if you will do this, you will be in compliance, then they can still follow that practice?

Mr. BRIDGE. Exactly right, sir.

FARMER ATTITUDES TOWARD COMPLIANCE

Mr. SMITH. Okay. Now, you referred to a poll. I did not quite get what that was. A survey?

Mr. BRIDGE. Yes. It was run by—was it the University of Illinois? Or Northern Illinois. A person on the staff there by the name of Richard Essex.

Mr. SMITH. Yes.

Mr. BRIDGE. We could get a copy, or at least a summary of that to you if you would like. We will provide if for the record.

[The information follows:]

The American Farmland Trust

Center for Agriculture in the Environment
De Kalb Illinois

OPINIONS OF CONSERVATION COMPLIANCE

HELD BY PRODUCERS SUBJECT TO IT

Report on a National Survey

Draft of
February 24, 1993

submitted by

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INTRODUCTION AND SUMMARY OF MAJOR FINDINGS

By January 1, 1995, more than 1.2 million producers are supposed to have fully implemented conservation plans that collectively have the potential for substantially reducing soil erosion in the United States. As of early 1991 these plans covered approximately 134.7 million acres of cropland and, if fully applied, would result in an estimated 205,000 miles of terraces, 1.3 million acres in grassed waterways, and 46 million acres in conservation tillage, along with the application of other practices capable of effectively protecting the soil (U.S. House of Representatives, 1991). The impetus for the plans was the 1985 farm bill's provisions that producers who continued to farm highly erodible land which was cropped any year between 1981 and 1985 must apply approved conservation plans to that land in order to retain eligibility for price supports and other federal farm program benefits (Section 1212, Public Law 99-198). The affected producers were required to have begun applying the plans by January 1990 and to complete implementation by January 1995.

This program to protect nation's soil resources will fail if many or most of the affected producers decide not to comply with its provisions. In this interview study that reached 885 producers with compliance plans spread over 100 randomly selected counties in 32 states, we looked for evidence that many farmers across the nation who were subject to conservation compliance had reasons to decide not to comply. Specifically, the study focused on five major reasons for noncompliance--whether these farmers believed (1) that they would lose money from implementing the required conservation plans, (2) that the likelihood of noncompliance being detected was small in their counties, (3) that the likelihood of detected violations leading to significant penalties was small in their counties, (4) that the typical farmer in the county with a plan would not comply, and (5) that the plans if implemented would not really save soil, that is, the main justification for whatever sacrifices the plans caused was hollow. Conversely, compliance was more likely if the targets of the regulations anticipated no financial losses, if they expected violations to be discovered and penalized, if they believed most of their peers would go along with the regulations, and if the regulations were legitimized by the prospect of saving soil.

In our survey of farm operators with required conservation plans, relatively few respondents indicated reasons for noncompliance of these five types. In fact, the pattern of opinions looks rather conducive to plans being implemented. Only 21% said they expected to lose money, 39% believed the plans would

cause no change in their earnings above production costs, and 34% estimated they would come out ahead. Eighty-three percent of the respondents with plans attributed at least a 50-50 chance to violations being detected, and 80% believed that detected violations had a 50-50 chance or higher of being penalized. Eighty-six percent said the typical farmer in their county would fully implement his/her plan by the January 1995 deadline. And 73% believed that soil erosion in their county would decrease because of the program.

Farmers might decide against compliance for reasons that could not be reliably investigated in the interviews. For example, as farm commodity prices and USDA benefit programs change, farmers might decide that retaining their eligibility for the benefits was or was not worth the costs of implementing their conservation plans. However, regarding the five kinds of reasons we did investigate, there was not the evidence to expect large-scale noncompliance.

Moreover, a little more than half (53%) of the surveyed farmers with plans reported that most of their plan implementation effort had already occurred or would so by the end of the year (1992). We have evidence that these reports were largely valid, that is, most if not almost all of those farmers believed that they had made significant progress in implementation rather than just telling us what they thought should be said.

This survey provided little support for the policy position that conservation compliance should be eliminated or watered down because of strong producer opposition to it. On the other hand, the survey did identify problems with the program that should be addressed. In the fall of 1992, with just two years to go before all plans should be fully implemented, 27% of the interviewed farmers with plans still wanted to change or modify the conservation practices listed in them. Thirty-two percent needed clarification as to when practices should be applied. And 47% had postponed either all or most of their implementation effort until at least 1993. There were indications that as many as 28% of that group of 47% (or 14% of the total farmers with plans) had no intention of complying; they reported having not previously received technical assistance for implementing their plans and they did not expect to ask for such help in the future.

The immediately following section of the report describes the survey's findings about the nature of the respondents, of their farm operations, and of their compliance plans (if they had one). A total of 1,006 producers were interviewed, of which 88% said they owned, managed, or operated land with conservation compliance plans. The two most notable findings about the plans were (1) they tended to be rather complex in that the median number of separate practices per farm operation was three and (2) they tended to cover most of the farmers' operation; for half of the respondents with

plans the compliance land consisted of nine-tenths or more of the total acres in their operations.

Funded by the American Farmland Trust, this survey consisted of telephone interviews averaging 18 minutes that were conducted by staff members of Northern Illinois University's Public Opinion Lab from late August through early November 1992. Table 1 reports the overall completion rate. Appendix I lists the 100 counties spread over 32 states where the respondents farmed. Appendix II describes the random sampling procedures used in drawing the sample and explains why we believe the resulting sample was representative.

Mr. SMITH. What did it find? What was the finding?

Mr. BRIDGE. Basically the survey was focused at people with highly erodible lands subject to compliance, and the poll was trying to pick up some attitudes about how they felt about that. Most of them felt that the plan was reasonable, that they could implement it, that it would not have significant economic adverse impacts on them. They felt that if they did not comply, they would get caught, and they intended to comply.

Mr. SMITH. It did not then tell you how many do not intend to get in compliance?

Mr. BRIDGE. No, just what their attitude was about that.

Mr. SMITH. Well, what I am concerned about is that we are coming up here with just two more years to implement these plans. I am very much afraid that a good number of acres, and I do not know what percentage, but quite a lot of what is left will not come in compliance. And if they do not come in compliance, producers will just stay out of the farm program and we will probably have very high erosion on those lands.

I think that you are not going to get all the land in the shape that we would like to have it in with this penalty. It just is not going to work because there are owners who are not going to choose to come into compliance, especially when you require the whole farm to be in compliance, not just a field. I mean, that is the law. And there are some people who only have two or three fields with erodible land, and then have quite a lot of non-erodible land. In addition, we are going to have CRP coming out, and virtually none of it is being terraced. It is just laying there. I do not know what percentage of the CRP land is going back into crop, but it was in crop, so it stands to reason that a good percentage of it will go back into crop. Some people think one-third of it will not, but I am not sure about that. It depends on the plan, I guess.

If they can go no-till, they may get into compliance, but they are not spending the money that they need to spend on terraces, and a lot of that is the land that needs to be terraced, is it not?

Mr. BRIDGE. That is right, sir. And that land is subject to compliance as they bring it out.

Mr. SMITH. Right.

Mr. BRIDGE. If they continue to participate in farm programs.

Mr. SMITH. I think when the CRP land comes out, more farmers are going to drop out of the farm program. If we get too many farmers out of the farm program, we are going to have erosion like you have never seen it after 1995.

They not only drop the CRP land out, they drop the rest of their land out, because they are either in or out. There is no such thing as being in on one farm and out on another.

Mr. BRIDGE. That is right.

Mr. SMITH. So they just drop the whole thing. I think we are fooling ourselves if we think that being real stringent with these implementation penalties is going to get more compliance after 1995.

When I say too stringent, it is not that the goal was not right; it is that people just cannot comply.

Do you agree or not?

Mr. BRIDGE. Obviously, there are even two opinions on this committee about how we proceed with that.

Mr. SMITH. Yes.

Mr. BRIDGE. My reaction is that this agency has struck the balance about as good as we know how to do.

Mr. SMITH. Well, under the law you have to.

Mr. BRIDGE. Yes, and right now we are depending on about 600,000 American farmers cooperating with us between now and the end of 1994, if we are going to achieve the results that the Congress expected.

Mr. SMITH. In many instances, their compliance depends on them making investments with money they do not have while we are cutting back on benefits under farm programs. They cannot make the investment. There are a few states that are putting in enough money so they can do terracing.

Mr. BRIDGE. I do want to add a couple of comments, though.

Mr. SMITH. Yes.

Mr. BRIDGE. Obviously a law of this type has to make a lot of sense to a lot of people, and I think it has. We have seen the commodity groups, and the farm organizations be very supportive.

Mr. SMITH. Everybody is for the goal.

Mr. BRIDGE. But we really are getting lots of cooperation from farmers out there.

Mr. SMITH. No question you are getting an awful lot done, but getting 65 percent of it in compliance is not going to be enough. The consequences of not getting the other 35 percent can be devastating.

Mr. BRIDGE. We are seeing that the peer pressure is beginning to build up on people. There are a fairly high percentage of these folks that think this is good business, and it is not costing big money. As a matter of fact, it is probably in their long-term interest to maintain the productivity on their land, and they are looking over the fence and saying, if I can do this, how come my neighbors can't? The peer pressure is beginning to build across the country. That is the kind of thing we have got to have behind us, to help us move this.

Mr. SMITH. Contrary to what most people think, the ones that can invest are the ones that can drop out of the farm program. They are doing the best conservation job because they can afford it. The ones that are doing the poorest conservation job are the ones that just do not have the money to do it.

Mr. BRIDGE. Right.

Mr. SMITH. In many instances they are the smaller farmers, and they just cannot do it. It has got two more years to go and I do not know what they are going to do, because they are not getting the terracing done. There are a few states that are putting a lot of money in the terracing and other states are putting in virtually none.

Well, I hope that you can get all the plans done anyway. This committee did give you extra money last year over and above the budget request to try to get some of these plans done.

Thank you, Mr. Chairman.

Mr. DURBIN. Thank you, Mr. Smith, and I think you raise a very interesting line of questions I would like to follow up on.

FUTURE CONSERVATION APPROACHES

Is it good farming practice, good business, to use these conservation techniques to avoid soil erosion?

Mr. BRIDGE. Yes, sir. That was the basis of this agency for the first 40 years of its history. We promoted soil and water conservation on a voluntary basis with the whole concept that it is good business, and it is. There is farmer after farmer in this country that will testify to the fact that protecting their resources is in their best interest. It is that good, old voluntary conservation ethic that has been with us for years in this country.

Mr. DURBIN. Would you agree with Mr. Smith's conclusion that those who do not participate might acknowledge what you have just said, but conclude that we cannot pay for it, we cannot afford to do it?

Mr. BRIDGE. There is some of that out there. There is a certain percentage of people that are not going to participate and cooperate in these kinds of activities. We found those even in the voluntary programs, obviously. But I think people opt out of programs for a lot of reasons, and it is not so they can erode their land some more. We have got people opting out of programs so they do not have to live with commodity bases and some of those type of things, so they can go into better rotations, or have more diversity on their farms. So I think that it is a real mixed bag in terms of what kind of conclusion we draw about that.

Mr. DURBIN. It raises an important policy question for us in terms of where we are headed. If we are moving, whether for philosophical or budgetary reasons, away from the expensive subsidy programs that we have in my part of the world and in Mr. Smith's part of the world, we are basically saying to producers in the future, left to your own devices to take the most profitable route. Will that route include conservation practices? Would a farmer who is a good steward of the land, but faces economic reality automatically use these conservation practices without some substantial government incentive or penalty?

Mr. BRIDGE. I think producers are going to need help. I think you have gone about as far as you can in terms of leveraging the tie between conservation requirements and commodity benefits. I think the real issue that the Congress needs to begin to deal with is, as commodity payments continue to decrease, should some of that money be transferred to the incentive side so that we can pay producers to achieve some of these environmental results that we need, particularly those that society is insisting on as we clean up the waters, conserve the wetlands and so on. Can we build a partnership with producers and farmers that leads in that direction?

Mr. DURBIN. You and I had a conversation in my office about water quality and the cost sharing with farmers. You told me there, as you said in your testimony, you thought it was emerging as the highest priority for your agency.

Mr. BRIDGE. Yes.

Mr. DURBIN. Harkening back to this GAO study, I think what they are saying is we should look for the most, or at least they are suggesting we look for the most cost effective ways to do that. I

would hope that whatever the next farm bill looks like, we could work together to make sure those programs are included. We need your help in that, because you are the experts in the field, literally and figuratively, and if you could be working with us perhaps we can find a way to get the maximum benefits.

Mr. SMITH. Well, will the Chairman yield on that?

Mr. DURBIN. Happy to yield.

Mr. SMITH. Under the new wetlands program, you are using permanent easements rather than rental payments. It would have been a lot cheaper to have bought easements against raising certain types of crops on this land, rather than renting it for 10 years. But the Congress is the one that has resisted that. But now we are finally trying it out under the wetlands program. I would hope that if anybody asks you to come up with a list of alternatives that you would include permanent easements as an alternative, because we could get permanent easements on a lot less than the rental payments. They would be permanent easements. That is one way to solve it without requiring these huge investments in terraces and all that too.

Mr. BRIDGE. Let me make a couple of comments on that.

Mr. DURBIN. Certainly.

Mr. BRIDGE. Somehow collectively we have got to get back to a more comprehensive approach to dealing with conservation issues. If you walk out on a farm, you have a mix of problems out there.

We have tended to develop a proliferation of programs that focus on a single problem, on a single wetland, not wetland systems, or on the acres of land that will qualify to go into CRP, or on highly erodible land. We have ignored the non-highly erodible land, which has some serious conservation problems.

We are now heading down the slippery slope in the coastal zone management issue of having another set of requirements related to non-point source pollution abatement. We have got reauthorization of the Clean Water Act coming up. We have the potential of developing about 15 individual, separate plans for a piece of land dealing with a producer.

Somehow we have got to begin to tuck those back together, to develop a single kind of an approach that is fairly comprehensive and then determine what is in the best interest of the federal government to subsidize in terms of the pertinent environmental issues on those farms.

Mr. DURBIN. Let me give you another example that may follow what Mr. Smith has raised. In one of my small counties in my district I am working with the Fish and Wildlife Service to improve the habitat and avoid siltation in an existing lake, and naturally they are going upstream and finding that they have got to work with the farmers. After we talked about this for an entire morning, within the last month or two, I asked the officer of Fish and Wildlife, would it be cheaper just to buy this land? And she said, oh, by far it would have made a lot more sense for the Federal government to have purchased this land a long time ago. The money we are going to put into this, in order to stop the potential of erosion for the potential of raising these row crops, is not a monetary decision, it is a political decision.

Do you reach the same conclusion many times?

Mr. BRIDGE. There is a certain culture in this country that, as you know, resists the Federal government owning everything out there. We have had situations in dealing with salinity problems in the Colorado River Basin where obviously it would have been cheaper to buy the water out to reduce salt. But Wyoming ranchers are not too pleased about that, and I would suggest I do not want to go out and do that negotiating. [Laughter.]

Mr. BRIDGE. On the other hand, you know, we talk about the high cost of——

Mr. DURBIN. Talk about the unforgiving. [Laughter]

Mr. BRIDGE. Yes. You can talk about the high cost of nine hundred and some dollars an acre that we are going to end up paying for those wetland reserve acres. But at the same time when you amortize that over 50–100 years, they are pretty cheap.

So when you have people willing to offer up things, maybe we ought to listen to them, because that program was very popular. You know, we had over 400,000 acres offered up and only took 50,000 or thereabout.

Mr. DURBIN. That is, I think, another element in this.

IMPACT OF NON-COMPLIANCE

The last question I have is this, the American Farmland Trust came in and suggested that about 14 percent of the farmers were never going to implement their conservation plans.

Do you agree with those findings?

Mr. BRIDGE. That would not surprise me. If we could get to 85 percent compliance, we would be pretty happy. We might declare success and go on. The percentage determined by the American Farmland Trust seems reasonable.

Mr. DURBIN. What do you recommend that the authorizing committee do with these farmers and their land?

Mr. BRIDGE. I really do not know. It depends on what that universe looks like in terms of size of operations, acreages and so on. But as I see the Clean Water Act requirements evolving, I think you are going to see the states passing bad actor laws that will force these producers to get in compliance, and solve some of those problems. I suspect those people are going to get hit the second time around with these requirements.

Mr. SMITH. Will the gentleman yield again?

Mr. DURBIN. Sure, happy to.

Mr. SMITH. I think the highest number of cases in the next to the last term over at the Supreme Court involved taking under the constitution.

Mr. BRIDGE. Right.

Mr. SMITH. There are constitutional limitations on what you can do. You can take it alright, but you have got to pay for it, and in some cases that is the thing to do. Those people that think we can just go out there and pass a law and force somebody to do something fail to recognize that we cannot do that under the Constitution of the United States.

Mr. DURBIN. Well, let me ask you from a practical side, and help me to understand this. What if there is a farmer on highly erodible land who is part of the program, and on December 31, 1994 he falls

into that 14 percent category. Is he going to be liable for payments made to him over the last several years under the farm programs?

Mr. BRIDGE. No. It is not retroactive. Just he or she does not qualify under the current year.

Mr. DURBIN. We will be coming around the bend for a new farm bill, and that is probably where that will be addressed. Mrs. Vucanovich, a member of the subcommittee, couldn't be here today. She has a question she would liked answered for the record.

[The question and response follow:]

Mrs. VUCANOVICH. One of Secretary Espy's major proposals is the creation of a single Farm Service Agency consisting of the Agricultural Stabilization and Conservation Service, the Soil Conservation Service, the Federal Crop Insurance Corporation, and the Farmers Home Administration. I understand that the Secretary's priority is to streamline from top to bottom starting with the Washington bureaucracy first and then restructuring the field offices.

Regarding this new Farm Service Agency, I would like to know how this proposal will affect the Soil Conservation Service field office in Lovelock, Nevada.

The closest SCS field office that would remain open is located in Fallon, Nevada and is over one hour's drive away. The long commute will certainly not improve the SCS services. The farmers in Nevada have endured six years of drought. As the drought ends, there will be much need for technical services. Farmers will be rebuilding irrigation systems, releveling land, and rotating crops. These activities were deferred during the recovery period. This is a time when they will need additional technical services and two hours of driving each day will be costly to the taxpayer. Closing the local field office will not improve customer service or save the taxpayer money.

RESPONSE. As you have indicated, Secretary Espy will be streamlining USDA from the top down. This issue is being reviewed and the decision on whether any specific field office, including Lovelock, will close has not yet been made. However, under the Farm Service Agency—FSA—concept, agencies would be combined, thus, it is likely that a combined FSA office, offering a full array of USDA programs, would maintain convenient accessibility and improve customer service.

Mr. DURBIN. Thank you very much. We will be back in touch.

We are going to be back in session this afternoon for public witnesses and invite everyone to come along.

[A biographical sketch and the prepared statement follow:]

BIOGRAPHICAL SKETCH
of
SHERMAN L. LEWIS
Deputy Chief for Management

Sherman L. Lewis, a native of Beggs, Oklahoma, received a B.S. degree in Agriculture Economics from Langston University, Langston, Oklahoma, in 1964. He earned an M.P.A. degree from Harvard University in 1977.

Mr. Lewis began his career with the Soil Conservation Service in 1966 as a Soil Conservationist in Bristow, Oklahoma. He worked in various locations in Oklahoma as a Soil Conservationist and District Conservationist.

Since leaving Oklahoma, he has served as Area Conservationist in Spokane, Washington; Assistant State Conservationist in Boise, Idaho; Resource Conservationist in the West National Technical Center, Portland, Oregon; and State Conservationist in Massachusetts and Nebraska.

From November 1986 to August 1989, he served as Director, Conservation Planning Division, in National Headquarters, Washington, D.C.

In August 1989, he was selected to be the Assistant Chief, Midwest, where he served as Assistant Chief until August 1992.

On August 23, 1992, he was promoted to Deputy Chief for Administration (now known as Management). As Deputy Chief for Management, he provides leadership and guidance in organizational planning, program planning, financial management, human resources management, contract administration and other administrative services, equal employment opportunity, information resources management, management improvement, and cost reduction.

He is a member of the American Management Association, Soil and Water Conservation Society, National Association of Conservation Districts, Society of Range Management, National Association for the Advancement of Colored People, and National Urban League.

He and his wife, Berniece, reside in Herndon, Virginia.

SOIL CONSERVATION SERVICE

Statement of Galen S. Bridge, Acting Chief, before the Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies.

Mr. Chairman and members of the Committee, I appreciate the opportunity to be here today to discuss the programs and activities of the Soil Conservation Service (SCS). In testifying today I want to emphasize at the outset that the Administration is currently formulating the President's FY 1994 Budget. Accordingly, I am not in a position to provide you with the Administration's position on funding for specific programs or activities. As soon as the President's FY 1994 Budget is released, I would be pleased to provide you with the Department's views.

AGRICULTURE AND THE ENVIRONMENT

The mission of SCS is to provide leadership and administer programs to help people conserve, improve, and sustain our natural resources and environment. SCS provides a major component of the Department of Agriculture's conservation assistance, working with farmers, ranchers, and other land users and rural communities to balance sound environmental management of soil, water, and related resources with sustainable production.

There is no question that agriculture is facing greater challenges than ever when it comes to meeting public demands for environmental protection. Agriculture has been identified as a major contributor to nonpoint source water pollution. It is considered one of the predominant sources of impairment for 60 percent of the Nation's impaired rivers and lakes. In fact, water quality is the most rapidly emerging issue impacting agriculture today, from the standpoint of both environmental concerns and public health concerns. Over three-fourths of our remaining wetlands are in private ownership, much of it in agriculture. The land use and management decisions made on this land will largely determine the fate of our remaining wetlands and the success of creating new ones. Protection and restoration of habitat for threatened and endangered species is another related issue. Obviously, agriculture has a major role to play in achieving progress towards solving these and other environmental problems for the benefit of all citizens. Conservation and environmental protection will, therefore, continue to be a strong focus of the Department.

USDA has historically encouraged voluntary conservation measures by farmers. Through its vast network of county offices, USDA has the institutional framework in place to deliver education, technical and financial assistance to farmers, ranchers, and landowners and has been doing so for more than 50 years. The last two farm bills strengthened our approaches in dealing with cropland erosion, wetland conservation and water quality improvement. In addition, the Agricultural Research Service and the Cooperative State Research Service conduct a wide variety of research activities to develop and improve

conservation technology. USDA believes that the use of research, demonstrations, information and education, technical assistance, and incentive programs that encourage farmers to try new ideas, is a primary reason American agriculture has become the most productive in the world. These approaches are helping us meet current environmental challenges as well.

There are several examples of ongoing activities that illustrate agriculture's involvement in these issues.

-- In the Pacific Northwest, there is a major regional effort underway for the recovery of declining stocks of salmon and steelhead. Part of that project is focussing on habitat restoration and development of hatcheries. Approximately 40 percent of the remaining salmon habitat is bordered by private land, much of which is cropland, pastureland, and rangeland. Consequently, habitat restoration will depend heavily on landowners' acceptance of and participation in the program. In the FY 1993 Appropriations Act, Congress directed SCS "to provide assistance to private landowners in improving and maintaining riparian zones in the upper watershed area of the Columbia River tributaries."

USDA brings two major components to salmon recovery efforts. These are (1) technical expertise and a planning process that has credibility with agricultural producers and operators; and (2) financial assistance to encourage farmers to install conservation practices through cost sharing assistance. In meeting other

regulatory requirements for the protection of endangered species, agriculture will be required to place increased emphasis on habitat protection and pesticide management, actions which have major potential impacts on agricultural production.

-- The Environmental Protection Agency (EPA) and the National Oceanic and Atmospheric Administration (NOAA) recently announced final guidance to the states for implementing coastal zone nonpoint source pollution control programs. Again, agriculture is identified as one of the leading contributors to water quality problems in coastal areas. SCS worked with NOAA and EPA to develop technical guidance in the form of management measures to control nonpoint pollution from agriculture. Some of these measures include sediment/erosion control, nutrient and pesticide management, irrigation water management, and animal waste management. SCS practice standards and specifications are the basis for these measures.

-- The Safe Drinking Water Act is being implemented across the country with noticeable impacts on agriculture. One example is additional monitoring costs for small rural communities and potential changes to agricultural practices to protect drinking water supplies. Another example is the new drinking water supply standards that would require the citizens of New York City to spend from $6 to $8 billion in water treatment upgrades to supply 9.5 million people with clean water. The annual operating budget would add about $300 million per year to their cost. The principal source of water

quality concern is from agricultural operations in a 1.2 million acre watershed area of the Catskill Mountains and lower Hudson Valley. As an alternative to the expensive upgrades, the agricultural community and New York City are working together to resolve the water quality concern. New York will be investing about $3.4 million initially to fund the installation of on-farm water quality improvement practices. If these practices are successful in improving water quality, the need for the more expensive treatment will be alleviated.

CONSERVATION ASSISTANCE AND PARTNERSHIPS

As I mentioned earlier, USDA has a long history of working with agricultural producers and rural communities to conserve and protect natural resources and the environment. We serve a broad range of customers including farmers, ranchers, other Federal agencies, state and local government, and other land owners and users through our locally-based delivery system. Our assistance is technology-based, translating research results and practical experience into on-the-ground solutions through the expertise of a trained, professional workforce. USDA technical staff, primarily located at SCS state and county offices, includes a range of specialists such as soil science, economics, engineering, agronomy, biology, range management, geology, and others. This provides an interdisciplinary approach to identifying and solving resource problems and insures full consideration of alternative conservation treatments, impacts, and benefits.

In addition, SCS maintains extensive natural resource data bases. A National Resources Inventory is conducted every 5 years and includes data on the status, condition, and trends of the soil and water resources on the nonfederal lands of the United States. Detailed soil surveys, conducted in cooperation with other Federal, state, and local agencies, provide basic data on soil characteristics and are available, generally on a county basis, for 1.7 billion acres or about 73 percent of U.S. land area. About 35 million acres of soil surveys are mapped each year. These data bases are used by USDA, and other Federal, state, and local agencies to support conservation and natural resources program planning and implementation.

USDA delivers most of its technical assistance to land users through a network of over 2,900 SCS county offices. These offices are located within local conservation districts that cover about 98 percent of the Nation's non-federal lands. These conservation districts are units of state government, operated by boards of locally elected officials who serve without salary, and organized to develop and carry out local conservation programs. USDA has a Memorandum of Understanding with each of these districts which sets forth working arrangements between the Department and the district. This Federal-state-local and private sector partnership provides an effective and proven delivery mechanism for leveraging our combined resources towards solving natural resource and environmental problems. It enables us to address national priorities within the context of local needs, a grassroots approach to identifying and solving problems. SCS provides technical assistance to

more than one million producers and other land users each year on about 60 million acres of agricultural lands including cropland, rangeland, pastureland, woodland, and other lands. Some of the long-term public and private benefits resulting from conservation planning and application assistance include reduced erosion and sedimentation, cleaner water, reduction of health hazards, improved fish and wildlife habitat, protection of wetlands, and flood prevention.

ORGANIZATION

As an organization, SCS employs about 13,800 people and has a current appropriation of $885.4 million. About 80 percent of our budget goes for technical assistance and 20 percent for cost-sharing and financial assistance provided both to individual land users and units of state and local government. SCS also provides the technical assistance required to carry out conservation cost sharing programs administered by ASCS including the Conservation and Wetland Reserve Programs and the Agricultural Conservation Program. About 50 percent of our workforce, or 6,800 staff years are at the field or county office level which is the primary service delivery point. Other program services as well as technical, managerial, and administrative support are provided through area and state offices which include about 42 percent of the total workforce, or about 5,800 staff years. Four regional centers located in Portland, Oregon, Lincoln, Nebraska, Fort Worth, Texas, and Chester, Pennsylvania provide leadership for technical quality assurance and technology transfer to SCS program activities at all levels. The information resources management and software development functions of the agency are carried out at Fort Collins, Colorado, and headquarters activities are located in Washington, D.C.

CURRENT ACTIVITIES

Currently, SCS is devoting a considerable portion of available resources towards helping farmers implement conservation compliance plans on highly erodible cropland as required by the Food Security Act of 1985 (FSA). The conservation provisions of FSA were enacted to provide consistency between USDA conservation programs and other Department farm programs by making eligibility for USDA program benefits contingent upon the implementation of a conservation compliance plan on highly erodible cropland. To continue receiving these benefits, producers must fully implement their plan by December 31, 1994, according to a schedule, i.e., "actively applying" the plan each year until it is fully implemented. Conservation practices must be maintained after the initial deadline is met and as long as producers wish to participate in any USDA farm or conservation program. To date, SCS has assisted in developing 1.6 million plans covering 140 million acres of highly erodible cropland, or about one-third of the total cropland in the country. About 58 percent of the planned acreage is now fully implemented with conservation practices. Additional plans are partially implemented and progress is on schedule. Current projections are that fully implemented compliance plans, combined with the grass and trees planted on land enrolled in the Conservation Reserve Program, will reduce soil erosion on highly erodible cropland in the United States by about 65 percent from pre-compliance levels.

As with any effort of this magnitude, a number of concerns have surfaced. There have been questions about our quality control processes and overall consistency which we have worked to correct with a major quality assurance effort this year. A significant part of the work to complete the implementation of the plans remains to be done by farmers during calendar years 1993 and 1994 in order to remain in compliance. We will be prioritizing our resources toward those states where this workload is heaviest. We do not want any farmer or rancher to have their USDA program benefits jeopardized because our assistance was not available.

Another ongoing activity has to do with wetlands. As you know, SCS has responsibility for identifying and delineating wetlands on agricultural lands to support the administration of the swampbuster provisions of the farm bill. Prior to May, 1991, about 65 percent of the necessary wetland determinations had been made. This involved about 2.5 million determinations covering 16.2 million acres of wetlands. Because of the uncertainty about Federal wetland delineation criteria, we suspended our wetland inventories at that time. These determinations are currently being made only upon request by a producer or another USDA agency. Until criteria are clarified, we are continuing to delay the certification, publication, and periodic review and update of wetland determinations as required by the 1990 farm bill. When these issues are resolved, we will be able to resume our work on wetland inventories and establish the required procedures to periodically review and update these determinations.

The ongoing USDA water quality initiative is another SCS priority activity. Under this initiative, the Department has implemented a cooperative and coordinated effort with private sector agriculture; with other Federal, state and local agencies; with diverse conservation and farm organizations; and with urban communities to identify problem areas and to design and encourage adoption of environmentally sensitive farming systems. SCS, ASCS, and the Extension Service are providing leadership for implementing projects which include educational, technical, and financial assistance to producers to improve water quality. Activities are coordinated with local soil conservation districts, state water quality agencies, EPA, and others. Work is underway in 16 demonstration areas where agricultural chemicals are a water quality concern. The intent of these projects is to increase the adoption of economically sound, on-farm management practices that protect surface and ground water quality through the use of new and innovative practices, and the transfer of information to other areas with similar problems. In addition, the initiative includes 74 hydrologic unit areas with specific agriculturally related nonpoint source water quality problems. Most of these projects are coordinated in with EPA's program under Section 319 of the Clean Water Act.

In 1992, farmers installed water quality practices on 2,155,938 acres of cropland in the USDA project areas. These practices reduce soil erosion and sedimentation, improve the handling of animal waste, and reduce the application and improve the management of nutrients and pesticides. Most of these projects, which began in 1990 and 1991, are expected to run for about five years. Progress is being monitored and an evaluation plan is in effect so we will be able to learn from our experiences and improve our overall

strategies and techniques in future efforts. In addition, SCS provides technical assistance to regional water quality programs such as the Chesapeake Bay, Great Lakes, Gulf of Mexico, Puget Sound, Land and Water 201, Long Island Sound, Lake Champlain, and EPA's National Estuaries Program. Altogether, SCS is investing about $45 million and 700 staff years annually in this initiative. It is important to note that the future direction in water quality as it relates to agriculture will be set through reauthorization of the Clean Water Act.

I will provide for the record, a table showing the fiscal year 1993 funds appropriated by state and local governments for conservation programs. We will be happy to respond to questions.

FUNDS APPROPRIATED BY STATE AND LOCAL GOVERNMENTS
FOR CONSERVATION PROGRAMS
FISCAL YEAR 1993

STATE	STATE GOVERNMENT	LOCAL GOVERNMENT	TOTAL
ALABAMA........	$3,847,862	$1,004,422	$4,852,284
ALASKA.........	205,000	3,500	208,500
ARIZONA........	8,787,465	1,176,163	9,963,628
ARKANSAS.......	1,356,156	1,805,334	3,161,490
CALIFORNIA.....	78,284,606	8,955,187	87,239,793
COLORADO.......	945,084	769,911	1,714,995
CONNECTICUT....	2,219,989	915,673	3,135,662
DELAWARE.......	7,320,000	815,000	8,135,000
FLORIDA........	1,819,812	2,872,636	4,692,448
GEORGIA........	4,518,000	3,616,500	8,134,500
HAWAII.........	750,800	140,130	890,930
IDAHO..........	5,433,782	161,000	5,594,782
ILLINOIS.......	5,050,100	1,393,479	6,443,579
INDIANA........	6,122,392	3,570,921	9,693,313
IOWA...........	15,033,431	845,088	15,878,519
KANSAS.........	16,087,152	10,279,882	26,367,034
KENTUCKY.......	3,600,200	3,011,100	6,611,300
LOUISIANA......	3,538,164	701,000	4,239,164
MAINE..........	332,250	445,378	777,628
MARYLAND.......	18,740,915	6,287,458	25,028,373
MASSACHUSETTS..	1,201,555	404,300	1,605,855
MICHIGAN.......	5,497,848	1,957,833	7,455,681
MINNESOTA......	26,663,000	24,490,300	51,153,300
MISSISSIPPI....	370,884	2,986,841	3,357,725
MISSOURI.......	31,741,168	235,000	31,976,168
MONTANA........	2,454,060	1,345,000	3,799,060
NEBRASKA.......	7,231,174	32,971,312	40,202,486
NEVADA.........	14,500	138,192	152,692
NEW HAMPSHIRE..	185,000	283,746	468,746
NEW JERSEY.....	1,079,000	2,525,400	3,604,400
NEW MEXICO.....	533,090	908,128	1,441,218
NEW YORK.......	1,662,125	6,507,004	8,169,129
NORTH CAROLINA.	9,342,491	6,763,904	16,106,395
NORTH DAKOTA...	7,291,600	1,146,469	8,438,069
OHIO...........	8,969,659	5,585,202	14,554,861
OKLAHOMA.......	5,333,510	500	5,334,010
OREGON.........	328,013	1,188,862	1,516,875
PACIFIC BASIN..	922,193	0	922,193
PENNSYLVANIA...	2,565,000	4,167,490	6,732,490
PUERTO RICO....	8,002,873	683,100	8,685,973
RHODE ISLAND...	53,800	106,135	159,935
SOUTH CAROLINA.	3,633,945	1,922,202	5,556,147
SOUTH DAKOTA...	2,178,000	919,510	3,097,510
TENNESSEE......	1,664,593	1,855,630	3,520,223
TEXAS..........	3,324,880	2,013,422	5,338,302
UTAH...........	25,091,930	206,050	25,297,980
VERMONT........	535,000	96,864	631,864
VIRGINIA.......	6,683,128	2,407,236	9,090,364
WASHINGTON.....	7,078,400	3,365,300	10,443,700
WEST VIRGINIA..	8,550,700	523,500	9,074,200
WISCONSIN......	5,116,085	7,062,383	12,178,468
WYOMING........	520,355	1,595,254	2,115,609
TOTAL........	$369,812,719	$165,131,831	$534,944,550

THURSDAY, APRIL 1, 1993.

RURAL ELECTRIFICATION ADMINISTRATION

WITNESSES

JAMES B. HUFF, SR., ADMINISTRATOR, RURAL ELECTRIFICATION ADMINISTRATION

BLAINE D. STOCKTON, JR., ACTING DEPUTY ADMINISTRATOR, MANAGEMENT AND POLICY SUPPORT, AND ASSISTANT ADMINISTRATOR, ECONOMIC DEVELOPMENT AND TECHNICAL SERVICES

JOHN H. ARNESEN, ASSISTANT ADMINISTRATOR, ELECTRIC

ROBERT PETERS, ASSISTANT ADMINISTRATOR, TELEPHONE

LARRY A. BELLUZZO, PROGRAM ADVISOR, FINANCIAL SERVICES STAFF

RUTH RAYMOND, DIRECTOR, OFFICE OF BUDGET, RURAL ELECTRIFICATION ADMINISTRATION

MICHAEL W. KELLY, ASSISTANT GENERAL COUNSEL, ELECTRIC AND TELEPHONE DIVISION, OFFICE OF THE GENERAL COUNSEL

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

Mr. DURBIN. Welcome to this meeting of the Subcommittee on Agriculture, Rural Development, Food and Drug Administration and Related Agencies.

Pleased to have with us the Rural Electrification Administration. Mr. James Huff, the Administrator, is with us along with Blaine Stockton, Jr., Acting Deputy Administrator; John Arnesen; Robert Peters; Larry Belluzzo; Ruth Raymond; Michael Kelly; and Steven Dewhurst.

I am sorry for being late. Your entire statement will be made part of the record.

ADMINISTRATOR'S STATEMENT

Mr. HUFF. Thank you Mr. Chairman. I would like to make brief remarks and submit my prepared testimony for the record.

I have been Administrator of REA since June 30, 1992; and I accepted this position because I personally know the importance of REA to the rural areas of this Nation.

The farm where I was born and still use as my principal residence is served by REA, both electric and telephone. I have seen it make a difference. And I often say that I am a product of REA because I remember very well when electricity first came to my home in the late thirties.

I believe that REA is still needed to provide financial and technical assistance, and I believe that the agency can continue to provide this service in a cost-effective manner.

My prepared statement addresses some of the projects that the agency staff is actively involved in to make the services provided to the borrowers, financial institutions, and ultimately the rural residents, responsive. Agency staff is committed to these improvements, and we will be actively pursuing all avenues such as the re-

vised rules, regulations, mortgages and so forth to put these improvements in place in the near future.

The President's 1994 budget is currently under development; and, therefore, today we are not able to provide you with specific information on the funding proposals for REA. But when the President releases the FY 1994 Budget, we will be pleased to provide you with the details.

As you have already acknowledged, I have most of my administrative staff here with me today. And I would like to take this opportunity to say that I think we have the finest personnel at REA.

And with that, Mr. Chairman, I would be glad to address any questions that you have.

[CLERK'S NOTE.—The Administrator's prepared statement appears on pages 347 through 353. The Budget justifications, which were received by the Committee on April 28, 1993, appear on pages 355 through 413.]

REA'S MISSION

Mr. DURBIN. Thanks, Mr. Huff. We have all read news accounts, and we have had testimony before in Subcommittee from Mr. James Miller, who formerly was the head of OMB under President Reagan, suggesting that the REA has outlived its usefulness. Once created to bring electricity to rural areas, it no longer has a mission but hangs on with various projects of questionable value.

Can you tell us, in your own words, what you view as the new mission of REA? Do you still have the responsibility to bring electricity where it does not exist in America?

Mr. HUFF. Mr. Chairman, even though we have electricity to 99 percent plus farms across the country and telephone services to over 96 percent of the farms, we still have a real service to render to the people in rural America.

Just because we have nearly reached the goal of having these services to everyone, we still have a tremendous need for maintenance and technology advancements. And we feel REA, as an agency, has the tools and the know how to render those services to meet the future needs.

A VISION OF CHANGE FOR AMERICA

Mr. DURBIN. President Clinton has suggested, as part of the change, that he is going to restructure the credit available through REA. Can you comment on his specific proposals and the impact it might have on cooperatives and on the consumers who rely on rural electrification?

Mr. HUFF. The changes mentioned in the "Vision of Change for America" include an increase in the interest rates for insured loans. We feel that can be done without adversely affecting the consumers to a great extent.

COST STUDIES

Mr. DURBIN. Have you done any studies to determine if you went to the current interest rate, Treasury rates are 6.8 percent—if we went to that rate, how much would this increase costs to the consumers on an annual basis?

Mr. HUFF. Yes, sir. We have not completed our analysis, but the preliminary figures indicate that, on the electric side—and we are talking, of course, about insured money to the co-ops—the increase would be in the neighborhood of less than a dollar per month per consumer; and on the telephone side, probably in the neighborhood of about $1.50 per month per consumer.

However, in the telephone program, 90 percent of the borrowers would not have to increase subscriber rates at all.

Mr. DURBIN. Let me make sure I follow you. You are talking about a dollar increase in electric rates and a dollar and a half in phone rates. But I missed the last part. Ninety percent will not have any increase?

Mr. HUFF. Of the telephone borrowers.

Mr. DURBIN. Your suggestion is that 100 percent of the electric consumers will see about a dollar a month increase?

Mr. HUFF. That is an average increase.

Mr. DURBIN. And 10 percent of the telephone subscribers will see a dollar and a half increase?

Mr. HUFF. Am I right on that, Mr. Peters.

Mr. PETERS. On the average, it would be a dollar and a half increase for insured loans. The bulk of the telephone loans are made out of the Rural Telephone Bank, which already borrows funds at the Treasury rate.

So, it would be affecting those that have insured loans.

[CLERK'S NOTE.—Subsequent to the hearing the Committee was advised that Under Secretary Bob Nash has requested further analysis and information on the preliminary work that has been performed on cost studies.]

URBAN AND RURAL ELECTRIC RATES

Mr. DURBIN. The people who live in rural areas now, can you compare what they are paying for electricity and phone service to the people who are living in the city? Average rates, we are talking averages here.

Mr. HUFF. Mr. Arnesen?

Mr. ARNESEN. The studies that have been done over the years indicate the rural electric systems do have rate disparity. Anywhere from 70 to 80 percent of the rural electric systems do have higher rates than the investor-owned utilities that might be neighbors to those systems.

Some of the ranges are very low in difference, but the difference in many cases is due to the higher investment per consumer for the rural electric systems.

Mr. DURBIN. A lot of debate has taken place here on the Hill about the fact that many of the municipal systems are allowed to use tax-free bonds to finance rural electric systems. REA has had the advantage of subsidized interest rates in the past.

Can you tell me what the relationship, in cost, is going to be between these rural co-op rates and urban utility rates after the President's change has taken place, if it takes place?

Mr. HUFF. We are in the process of analyzing the numbers that have been published showing the disparity between the public utility, the IOUs and the REA. But we are not in a position at this time

to validate those numbers. We are in the process of looking at them.

LOAN PRIORITY SYSTEM

Mr. DURBIN. All right. Some critics of REA have suggested that the difficulty with the agency is that it doesn't prioritize its loans, it doesn't determine where they are really necessary, where they are needed.

Areas devastated by natural disasters, obviously, would be a very high priority. But a suggestion has been made that, over the years, REA has basically accepted loan applications at face value without really using a priority system to determine the greatest needs.

Is that a fair criticism?

Mr. HUFF. Yes, sir. We operate on the basis of first come, first served with our backlog of insured loans.

We believe that a method of prioritizing those loan applications would be in order.

Mr. DURBIN. How would you prioritize them? Can you give me an idea of what standards you would apply?

Mr. HUFF. I am not able to elaborate on that. We have that under consideration and study.

But Mr. Arnesen may want to elaborate on some of the work that we have done.

Mr. ARNESEN. There are various methods that you might look at when prioritizing applications. In the past, we did have a method that helped prioritize loans, and that was based on a policy called the general funds policy.

Under that policy, if a borrower's general funds, its internally generated funds, exceeded a certain percent of its utility plant, it was expected to use those funds in lieu of borrowing from REA. It had been a very effective means of prioritizing financing and providing financing to those in the greatest need.

Now, at this point in time, we might look at other methods of prioritizing and determine some other approach; but we have no specific recommendations to make at this particular time because we are reviewing the whole issue.

Mr. DURBIN. It seems to me, if we are talking about saving money in the agency and still serving areas of need, a priority list is inevitable. We are going to have to work with the authorizing committee and come up with ideas on how to serve the neediest customers in the rural electric system, whether it is based on the rates that consumers are presently being charged, special circumstances like natural disasters or their own financial picture.

Perhaps that is one area that we should be pursuing.

Mr. HUFF. We agree with that. And we will pursue it and be glad to work with the various committees.

STREAMLINING SERVICE TO BORROWERS

Mr. DURBIN. Mr. Huff, in your statement you indicate that the past year the Agency has started the process of modernizing and streamlining service to borrowers. Please provide us some specifics that have come out of this process, including some suggestions offered by both trade associations and your own employees.

Mr. HUFF. During the past year the agency has taken several steps to modernize and streamline service to borrowers. I will provide specifics for the record.

[The information follows:]

Working with a consulting firm, developed a comprehensive computer-based Information Systems Plan (ISP) for the Agency. The plan develops an integrated model of the information needed to support the agency's program and administrative operations. The consultant studied existing systems and surveyed agency staff, borrowers, trade associations, and other stakeholders about needs and priorities. A report, including a 5-year plan for implementation, was delivered to the Agency on March 11, 1993.

Established employee task forces to address issues of importance to staff, borrowers, and other stakeholders. Currently REA staff is developing procedures to modernize and streamline preparation of loan documents, requirements for submission of title evidence, and other significant issues.

Published final rules to consolidate and update procedures for electric loans and to implement new Rural Development programs. Published proposed rules to implement governmentwide requirements for seismic safety of new buildings. Regulations governing prepayments of REA electric loans, telephone and electric loan documents, and accounting requirements and procedures are reaching completion.

An example of the Agency working closely with the trade associations is the proposed rule which was published to facilitate lien accommodation and private financing for electric borrowers. The Agency held a public hearing as a forum for the borrowers and trade associations to provide input.

Mr. DURBIN. On page 2 of your prepared statement, Mr. Huff, you indicate that the Agency is working toward becoming "user friendly" to its borrowers. The Agency anticipates that new mortgage forms will enable financially healthy borrowers to manage their operations with less day-to-day oversight from REA. Please tell us what was wrong with the old mortgage forms and what the new ones will do to assist the borrowers.

Mr. HUFF. The old mortgage forms give REA the right to exercise substantial oversight of its borrowers' day-to-day operations. The last major revision to these forms was over 20 years ago. Many financially sound borrowers have unblemished repayment records at REA spanning several decades. The Agency does not believe that this level of oversight is necessary for these borrowers. We are considering replacement of the current mortgage with forms that resemble corporate mortgages in widespread use today. Modern corporate mortgages involving multiple lenders place greater emphasis on objective financial standards than REA's existing mortgage forms. This approach will also assist REA borrowers using multiple lenders. For that minority of REA borrowers that require substantial Agency oversight, REA loan contracts will be written to protect the Government's interests.

ADP OPERATIONS

Mr. DURBIN. In the past several months, REA completed a total rehaul of its computer and ADP operations. We note that now you have entered into an information systems project with an outside contractor. Can you describe exactly what this is and how this is coordinated with your recent computer purchases?

Mr. HUFF. The information system project was undertaken to develop a structured approach to identify projects for improving REA's delivery of services. Our ADP information systems are inadequate to meet needs of the Agency, particularly in the areas of accounting, statistics, and credit reform requirements. Many of our

current data systems utilize computer equipment that is no longer manufactured and operate on data systems developed decades ago. These systems are extremely difficult and expensive to maintain. The Information System Plan (ISP) uses new information technologies to align priorities of information system projects with REA mission priorities. The ISP is based on a set of formal techniques in which REA's business practices are used to identify system needs while fully capitalizing on our investment in computers.

Mr. DURBIN. What did you spend on this outside contract for information systems projects?

Mr. HUFF. A total of $224,640 was obligated in fiscal year 1992 for contractual services with Caccia-Gabusi Partnership.

Mr. DURBIN. You have indicated that the Agency has set goals, strategies, and identified problems that we used to identify high-priority applications that would be implemented in the next five years. Can you describe exactly what this means?

Mr. HUFF. The Agency has established certain goals it wants to achieve over the next 5 years. These goals were then aligned with the information needs of the Agency to establish high priority information system applications. The Agency will use this priority list to redevelop its information systems.

This process will help the Agency determine where its resources need to be directed in order to improve Agency accounting and program management systems which will enable us to meet the needs of REA staff and constituents.

FFB REPRICED LOANS

Mr. DURBIN. You indicated that almost $900 million of FFB loans have been repriced. For the record, please provide a list showing the numbers of loans repriced in each of the past five years and the dollar amount for each year. Break the table out between electric and telephone loans please.

Mr. HUFF. REA began the repricing of FFB loans in Fiscal Year 1992. As of March 31, 1993, we have repriced FFB electric loans for 21 borrowers for over $1.1 billion. One telephone loan was repriced for $1.5 million for the Gulf Telephone Company in Foley, Alabama. A list of borrowers whose FFB loans were repriced will be provided for the record.

[The information follows:]

REPRICINGS
ELIGIBLE CALENDAR YEAR 1992 - CLOSED FISCAL YEAR 1992

COOPERATIVE	AMOUNT REPRICED	REPRICED INTEREST RATES*
SOUTH MISSISSIPPI ELECTRIC POWER ASSOCIATION Hattiesburg, Mississippi	45,932,722	7.418, 7.450, 7.535
CORN BELT POWER COOPERATIVE Humboldt, Iowa	5,373,361	7.628
HOOSIER ENERGY RURAL ELECTRIC COOPERATIVE, INC. Bloomington, Indiana	78,490,018	7.601, 7.628
EAST KENTUCKY POWER COOPERATIVE, INC. Winchester, Kentucky	60,501,268	7.444, 7.470
ALABAMA ELECTRIC COOPERATIVE, INC. Andalusia, Alabama	45,495,401	7.260, 7.295
UNITED POWER ASSOCIATION Elk River, Minnesota	38,367,288	7.224, 7.260, 7.295
OGLETHORPE POWER CORPORATION Tucker, Georgia	41,285,395	7.260, 7.295
PACIFIC NORTHWEST GENERATING COOPERATIVE Portland, Oregon	6,081,768	6.610
M & A ELECTRIC POWER COOPERATIVE Poplar Bluff, Missouri	3,059,164	7.260
SHO-ME POWER ELECTRIC COOPERATIVE Marshfield, Missouri	2,976,049	7.260, 7.295
ASSOCIATED ELECTRIC COOPERATIVE, INC Springfield, Missouri	124,831,458	6.938
SOUTH TEXAS ELECTRIC COOPERATIVE, INC. Nursery, Texas	5,405,873	6.924
ALLEGHENY ELECTRIC COOPERATIVE, INC. Harrisburg, Pennsylvania	122,031,075	6.780, 6.820
COOPERATIVE POWER ASSOCIATION Eden Prairie, Minnesota	22,755,168	6.820
TOTAL	602,586,008	

*Interest rates vary according to maturity date of note

REPRICINGS
ELIGIBLE CALENDAR YEAR 1992 - CLOSED FISCAL YEAR 1993

COOPERATIVE	AMOUNT REPRICED	REPRICED INTEREST RATES*
PACIFIC NORTHWEST GENERATING COOPERATIVE Portland, Oregon	11,773,543	7.026, 7.068
WESTERN FARMERS ELECTRIC COOPERATIVE Anadarko, Oklahoma	54,143,287	6.889, 6.982, 7.026, 7.068
SAN MIGUEL ELECTRIC COOPERATIVE, INC. Jourdanton, Texas	167,335,046	6.075, 7.026, 7.068, 7.128
SOUTHERN ILLINOIS POWER COOPERATIVE Marion, Illinois	41,700,486	6.551, 6.594, 6.634, 6.672
MEDINA ELECTRIC COOPERATIVE, INC. Medina, Texas	1,357,900	6.607
ARIZONA ELECTRIC POWER COOPERATIVE, INC.	50,206,075	6.195, 6.237
TRI-STATE GENERATION & TRANSMISSION ASSOCIATION, INC.	197,926,311	6.059,6.106,6.195,6.237 6.199, 6.247, 6.338
TOTAL	:524,442,648	

*Interest rates vary according to maturity date of note

LOAN ORIGINATION FEE

Mr. DURBIN. In the past years, the Administration has proposed a loan origination fee for REA borrowers. Do you propose any such fee for fiscal year 1994?

Mr. HUFF. Borrowers receiving new direct Federal Financing Bank electric loans will be charged a loan origination fee equal to the amount of the subsidy. In FY 1994, the fee is 1.03 percent on loan advances. This will eliminate the cost to the Government on new FFB loans.

REFINANCING AUTHORITY

Mr. DURBIN. The last several years, the Committee has provided REA with about $2.5 billion in refinancing authority. For the record, please provide a table showing how much in electric and telephone refinancing occurred in each year since that authority was granted. Is any of that refinancing authority left?

Mr. HUFF. I'll submit the specifics for the record.

[The information follows:]

SUMMARY OF FFB PREPAYMENTS AND REFINANCINGS

Program	Authorized	Completed	
		Amount	Fiscal year
Electric/Telephone	$2.5 billion	$0.5 billion	1987
		2.0 billion	1988
Telephone	150 million	118.0 million	1990
		17.1 million	1991
		14.4 million	1993
Electric	[1] 350 million		

[1] These funds are reserved until July 30, 1993, for financially distressed borrowers. It is anticipated that allocations of $350 million will be made to troubled borrowers by July 30. After that date, any remaining funds are available to all borrowers.

MEMBER GUARANTEE

Mr. DURBIN. Last year, Mr. Liu indicated that five of the generation and transmission customers of REA were negotiating with REA on the concept of member guarantee. Can you describe for us what has occurred since last year in this area? Have any loans been advanced because of member guarantees?

Mr. HUFF. Last spring, after a lot of hard work and compromise by all parties, we reached agreement with the six borrowers on the terms and conditions of the member guarantee. The borrowers were provided with the required documents and REA has been waiting for the borrowers to obtain necessary approvals and complete the documentation. The process of documentation has been lengthy and complicated in large part as a result of a feature, the use of a collateralized inter-guarantor agreement, that the borrowers requested as a part of the transaction. Several borrowers will complete the transactions shortly. As soon as the borrowers have provided us with the necessary documentation, REA will advance funds.

LOAN SUBSIDIES

Mr. Durbin. Would you please provide for the record a table that shows the subsidy rate for each loan program carried out in fiscal years 1991, 1992, ad 1993, and your projection for 1994?

Mr. Huff. The subsidy rates associated with each program under Credit Reform which began in fiscal year 1992 will be provided for the record.

[The information follows:]

RURAL ELECTRIFICATION ADMINISTRATION
Subsidy Percentage by Program
(Dollars in Thousands)

Program	1992 Actual	1993 Current Estimate a/	1994 Budget	
Direct, REA:				
Electric	23.48	18.00	16.32	
Telephone	19.76	17.59	--	
Direct, Treasury Rate:				
Electric	--	--	0.09	
Telephone	--	--	0.02	
Direct, FFB:				
Electric:				
New Loans	5.03	4.38	--	b/
Repriced Loans	5.03	4.38	-1.07	
Telephone:				
New Loans	--	0.08	-2.58	
Rural Telephone Bank:				
Direct	2.05	0.02	--	
Direct, Treasury Rate	--	--	0.02	
Rural Economic Dev. Loans	30.26	27.61	26.28	
Investment Proposals				
RETL	--	--	12.89	
RTB	--	--	0.02	

a/ The 1993 current estimate reflects second quarter Commerce Daily interest rates.

b/ The Budget proproses to charge a loan origination fee to offset the subsidy cost.

ELECTRIC LOAN APPLICATIONS

Mr. Durbin. Please provide a table for the record showing, by state, the pending loan applications on hand for the electric loan program.

Mr. Huff. I'll be glad to submit that.

[The information follows:]

ELECTRIC LOAN PROGRAM

INSURED AND GUARANTEED LOAN APPLICATIONS RECEIVED ON HAND AS OF MARCH 31, 1993

STATE	DIRECT LOANS NUMBER OF APPLICATIONS	AMOUNT	LOAN GUARANTEES NUMBER OF APPLICATIONS	AMOUNT
ALABAMA	5	29,617,000		
ARIZONA	2	10,719,000		
ARKANSAS	6	31,811,000		
CALIFORNIA	1	2,002,000		
COLORADO	4	8,862,000		
FLORIDA	3	9,547,000	1	30,000,000
GEORGIA	18	68,615,000		
ILLINOIS	4	8,949,000		
INDIANA	8	17,577,000	1	2,010,000
IOWA	6	7,095,000		
KANSAS	4	4,526,000		
KENTUCKY	13	62,750,000	1	108,808,000
LOUISIANA	2	12,547,000		
MARYLAND	1	24,709,000		
MICHIGAN	3	7,593,000		
MINNESOTA	16	50,702,000		
MISSISSIPPI	4	12,777,000		
MISSOURI	7	21,029,000	1	2,095,000
MONTANA	3	7,046,000		
NEVADA	2	1,756,000		
NEW MEXICO	7	16,727,000		
NEW YORK	1	1,120,000		
NORTH CAROLINA	11	47,846,000		
NORTH DAKOTA	3	6,111,000	1	2,141,000
OHIO	7	9,575,000		
OKLAHOMA	7	12,920,000		
OREGON	6	19,576,000		
PENNSYLVANIA	5	14,003,000		
SOUTH CAROLINA	7	63,595,000		
SOUTH DAKOTA	7	13,660,000	1	500,000
TENNESSEE	4	29,717,000		
TEXAS	8	16,470,000		
VERMONT	2	7,338,000		
VIRGINIA	5	61,069,000		
WASHINGTON	2	1,577,000		
WISCONSIN	3	4,460,000		
WYOMING	2	3,728,000		
	199	729,721,000	6	145,554,000

TOTAL DIRECT	199	729,721,000
TOTAL GUARANTEED	6	145,554,000
TOTAL	205	875,275,000

ELECTRIC LOAN APPROVALS

Mr. DURBIN. What is the number and dollar of electric loans that have been approved to date from Fiscal Year 1993. Please indicate the amounts for direct, FFB and bank guaranteed loans.

Mr. HUFF. As of March 31, 1993, direct loans were approved for 59 electric borrowers in the amount of $220.3 million. There were no new loan guarantees approved as of March 31, 1993. Seven FFB loans, in the amount of $349.6 million, were repriced during this fiscal year.

UNOBLIGATED AUTHORITY

Mr. DURBIN. Did REA use all of the loan and grant authority provided to it through the appropriations process during fiscal year 1992? If not, which accounts had unused funds?

Mr. HUFF. a summary of loan activity will be provided for the record.

[The information follows:]

REA LOAN AND GRANT ACTIVITY

Program	FY 1992 Appropriations	FY 1992 Actuals	Balance
Direct Electric	$622,050,000	$622,050,000	
FFB Electric	813,450,000	[1] 785,392,000	$28,057,991
Direct Telephone	239,250,000	204,480,000	34,770,000
FFB Telephone	119,625,000	35,248,000	84,377,000
Rural Telephone Bank	[2] 177,045,000	177,023,700	21,300
Rural Development Loans	8,406,000	8,406,000	
Distance Learning and Medical Link Grants	5,000,000		5,000,000

[1] The appropriated subsidy supported a loan level of $786,222,222.
[2] The appropriated subsidy supported a loan level of $177,024,000.

TELEPHONE LOAN APPLICATIONS

Mr. DURBIN. Please provide a table for the record listing, by the state, the pending telephone loan applications.

[The information follows:]

Loan Applications On Hand
As of April 1, 1993 – Telephone Program
By State

State	Number of Applications	Dollar Amount
Arkansas	1	$1,270,000
Georgia	2	34,673,000
Indiana	3	11,066,300
Iowa	1	2,614,500
Kansas	1	6,529,000
Louisiana	1	8,065,000
Maine	1	2,645,000
Marshall Islands	1	3,999,000
Minnesota	3	17,206,550
Missouri	1	5,250,000
Montana	1	11,183,000
Nebraska	1	4,855,000
New Mexico	1	3,394,650
New York	1	1,323,000
North Carolina	1	1,308,000
North Dakota	2	7,938,000
Oklahoma	4	45,873,450
Oregon	1	10,310,000
South Dakota	1	11,886,000
Tennessee	2	23,527,000
Texas	2	3,633,450
Utah	1	5,522,000
Virginia	1	8,885,000
Wisconsin	3	64,778,150
Wyoming	1	1,963,000
TOTALS	38	$299,698,050

TELEPHONE LOAN APPROVALS

Mr. DURBIN. What is the number and dollar value of telephone loans approved thus far in fiscal year 1993?

Mr. HUFF. As of April 1, 1993, REA had approved 8 direct loans totaling $16.2 million; 25 RTB loans totaling $123.6 million; and 1 FFB loan for $1.3 million.

CONSULTANT CONTRACTS

Mr. DURBIN. Would you please list for the record all contracts with consultants that the agency entered into during fiscal years 1992 and 1993?

[The information follows:]

Year	Contractor	Amount	Effective date
1992	MacFadden & Associates, Inc.	$25,060	Mar. 19, 1992

CONFERENCES

Mr. DURBIN. Did REA hold any management conferences outside of the Washington area during fiscal year 1992 and so far in fiscal year 1993? If so, where were they held, who attended, and what was the cost of each conference?

Mr. HUFF. I'll be glad to supply that for the record.

[The information follows:]

REA MANAGEMENT CONFERENCE

Location	Attendees	Cost
FY 1992:		
Phoenix, AZ	Electric Program Field Representatives	$46,068
Tampa, FL	Borrower Accounting Field Accountants	21,880
Charleston, SC	Telephone Eastern Regional Field Representatives	11,500
New Orleans, LA	Telephone Western Regional Field Representatives	13,000
Kansas City, MO	Headquarters and Field Staff, National Conference	86,360
Nashville, TN	Limited REA staff and cooperative employees, Rural Economic Development Conference.	24,748
FY 1993:		
Nashville, TN	Electric Field Representatives	40,075
Nashville, TN	Borrower Accounting Field Accountants	21,391
Savannah, GA	Telephone Field Representatives	18,586

RURAL TELEPHONE BANK

Mr. DURBIN. Last year, Mr. Liu testified that REA intended to convert all telephone program lending to the Rural Telephone Bank and that this would facilitate the legislatively mandated conversion of ownership beginning in fiscal year 1996, allowing borrowers more control. For the record, please provide us the legislative citation. Have you, in fact, converted any telephone lending to the RTB?

Mr. HUFF. The legislative citation for conversion of ownership of the Rural Telephone Bank beginning in fiscal year 1996 is Section

406(c) of the Rural Electrification Act, and 7 U.S.C. Section 946(c). The 1993 Appropriation Act provided funds for direct telephone loans, guaranteed loans, and RTB loans. REA used funds provided for each of these programs. No direct telephone lending was converted to the RTB. The 1994 Budget proposal continues with the established loan levels for the various telephone programs. In addition, the President's investment proposal provides an additional $50 million in loan authorities for the telephone program.

GUARANTEED LOANS FOR DISTRIBUTION BORROWERS

Mr. DURBIN. Mr. Huff, the Administrator's Report for fiscal year 1992 for REA states, "A clarification in the Agency's guaranteed loan policy permitted electric distribution borrowers, beginning in fiscal year 1991, to voluntarily switch their REA insured loan request to a guaranteed loan and receive expedited handling of the loan application." Please describe this clarification.

Mr. HUFF. The clarification was published in the rules section of the Federal Register on January 24, 1991, (56 FR 2670) as an "Interpretation of Guaranteed Loan Policy." Prior to this, distribution borrowers were not precluded from obtaining guaranteed loans. However, REA regulations addressed guaranteed loans only in connection with financing the bulk transmission and power supply facilities. The clarification stated unequivocally that guaranteed loans were available to distribution borrowers as well as power supply borrowers. Several distribution borrowers expressed an interest in guaranteed loans as an alternative means of financing rather than waiting approximately 15 months for an REA direct loan.

Mr. DURBIN. Please explain how you were able to expedite the guaranteed loans versus the direct insured loan.

Mr. HUFF. There is a backlog of applications for REA insured loans of approximately 15 months. There is no backlog of applications for guaranteed loans. Consequently, guaranteed loan requests can be processed quickly.

RESCINDED LOANS

Mr. DURBIN. Also in your report, you indicate that 22 previously approved insured loans totaling $27.4 million and 6 FFB funded loans totaling $282 million were rescinded during fiscal year 1992. Why were these loans rescinded? What happens to that loan authority?

Mr. HUFF. All of the guaranteed loans were rescinded at the borrowers' requests. The insured loans were rescinded either at the request of the borrower or as a result of automatic termination. Automatic terminations are covered in REA regulations—7 CFR 1785.17—and generally provide that loan funds not used after 4 years will be rescinded by REA unless the borrower requests an extension and demonstrates a continued need for the funds. Insured loans are generally made to fund a 2-year construction plan. The loan authority in these instances cannot be used to finance future loans.

CO-OP MERGERS

Mr. DURBIN. You have indicated that the average operating expense per consumer decreases significantly by enlarging the system size of the distribution borrower. Does REA do anything to facilitate or assist with co-op mergers?

Mr. HUFF. We encourage borrowers, particularly smaller borrowers, to consider the merits of merging or consolidating with neighboring systems. The National Rural Utilities Cooperative Finance Corporation CFC, the major supplemental lender to rural electric systems, also encourages merger efforts. Both CFC and REA assist borrowers in preparing studies which demonstrate the impact on operations of systems considering a merger or consolidation.

RENEWABLE ENERGY RESOURCE LOANS

Mr. DURBIN. Have any applications been received related to renewable energy resources?

Mr. HUFF. No, there are currently no loan applications on hand for renewable energy resources. However, we are aware that two borrowers are proceeding with hydroelectric projects. In one case, REA provided a lien accommodation and, in the other, the borrower has not yet determined the type of financing for the project. Also, in the course of planning for their future power supply needs, several borrowers are reviewing the feasibility of wind and hydroelectric facilities.

IMPACT OF CLEAN AIR ACT COMPLIANCE

Mr. DURBIN. Most utilities are very concerned about the impacts of the Clean Air Act of 1990. Can you tell us how many REA utility generating plants would be impacted by the Clean Air Act provisions in terms of having to make substantial investments to comply?

Mr. HUFF. Many of the coal-fired power plants financed by REA are relatively new and borrowers were required by law to make substantial investments in pollution control equipment. Only 12 units owned and/or operated by 9 borrowers were affected by the implementation of Phase I of the Clean Air Act Amendments of 1990, CAAA. To comply with the CAAA, these borrowers plan to install by 1995 continuous emissions monitoring equipment plus combinations of low NO_x burners or switch to lower sulfur coal or the addition of sulfur dioxide removal equipment as required. Initial cost estimates provided by these borrowers indicate their compliance plans range between $6,000,000 to $100,000,000, depending on the generating station. Phase II compliance of the CAAA begins in the year 2000 and will affect many more units and borrowers than Phase I. These borrowers are currently evaluating the best course of action for the affected units. Definite courses of action planned by the borrowers are not currently known, but Phase II can be expected to have a greater financial impact on borrowers than Phase I.

Mr. DURBIN. Do you anticipate an increase in loan applications because of the Clean Air Act?

Mr. HUFF. To meet Phase I of the CAAA, a large increase in loan applications is not anticipated. Several borrowers have indicated

that they may seek REA financing in the future, but many have indicated that these costs will be expensed or financed with general funds. Phase II compliance may result in a large amount of loan applications.

STUDY OF RANDOM TELEPHONE LOOPS

Mr. DURBIN. We understand that REA is conducting a random loop study among the telephone loops served by REA financed offices. Describe for us exactly what this study is designed to provide.

Mr. HUFF. This study will provide a current picture of our borrowers' telecommunications plant and facilities. The collection of this data enables REA, telephone companies, and equipment manufacturers to determine specific needs of telecommunications in the rural environment. In particular, REA can ascertain the extent and condition of buried and aerial cables and associated hardware. These results also permit REA to evaluate the quality of service and adequacy of maintenance.

Mr. DURBIN. When will the results of this study be available?

Mr. HUFF. The preliminary results of the study will be available in the early summer.

RURAL COMMUNICATION DEVELOPMENT FUND

Mr. DURBIN. For the record, describe how the Rural Communications Development Fund works.

Mr. HUFF. The Rural Communication Development Fund, RCDF, was established pursuant to the Secretary of Agriculture's memorandum of May 22, 1979, which transferred, to REA, certain financing authorities under the Consolidated Farm and Rural Development Act for community antenna television services in rural areas. The RCDF was set up to insure or guarantee loans for community antenna television services or facilities to both cooperatives and commercial borrowers. The program was authorized to utilize the community facility authority and the business and industrial authorities of the Rural Development Act of 1972.

Mr. DURBIN. How much is available in that fund?

Mr. HUFF. Since fiscal year 1982, no additional loan funds have been available for this program. The last loan approved or guaranteed under the Community Facility authority was in fiscal year 1981. Cumulative insured and direct loans of $24.8 million and $10 million in guaranteed loan commitments have been approved from the fund. Principal outstanding for direct loans is $14.3 million and for guaranteed loans, $5.7 million. Under Credit Reform, the RCDF functions as a liquidating account and has permanent, indefinite authority to meet its expenses.

NEW GRANT PROGRAM

Mr. DURBIN. Recently, we noted that you extended the first application period for grants to the new Distance Learning and Medical Link Grant Program because of a high degree of interest. Approximately how many inquiries have you had related to this program?

Mr. HUFF. As of April 6, 1993, REA had received approximately 2,700 inquiries.

UNSERVED RURAL AREAS

Mr. DURBIN. Mr. Huff, we have all seen the ABC news accounts and other press reports about how the REA has long passed its useful life. Do you have an estimate or a guess as to how many people still do not receive electricity or telephone service in rural America?

Mr. HUFF. About 99 percent of the Nation's 2.3 million farms have electricity. We are unaware of any significant concentration of residences without electric service. Those remaining unserved are predominantly in isolated pockets. Recently, the Agency approved a loan to a borrower in Alaska which will permit it to provide service to two villages which have never had central station service.

Based on information compiled by the Federal Communications Commission for 1988, approximately 5 percent of households in farm areas did not have telephone service.

RELATIONSHIP TO CFC

Mr. DURBIN. The rural electric cooperatives formed in 1969 the National Rural Utilities Cooperative Finance Corporation to assist with supplemental sources for financing. Does REA have any regulatory control over this organization? What is your relationship to it?

Mr. HUFF. The National Rural Utilities Cooperative Finance Corporation, CFC, is a private corporation owned by its borrowers. REA has no regulatory control over it. We have a close relationship with CFC as we are partners in providing financing to rural electric systems. CFC and REA have a common mortgage with borrowers that we jointly finance.

DEFERMENT AUTHORITY

Mr. DURBIN. The Rural Electrification Act was amended in 1990 to give REA expanded authority in the area of rural economic development. One of the things that Act did was to allow REA borrowers to request a deferment on electric and telephone loan payments if the co-op made a like investment in rural economic development projects. To date, has anyone used this authority or requested this authority? If so, please describe.

Mr. HUFF. The final rule on these deferments was published on April 23, 1993. The effective date of the program is May 24, 1993, after which borrowers may begin to use this authority.

RTB BOARD MEMBERS

Mr. DURBIN. For the record, please provide a list of all of the Board Members of the Rural Telephone Bank.

Mr. HUFF. There are 13 Board of Director positions. The President appoints 5 officials from the Department of Agriculture, excluding REA personnel, and 2 members from the general public. The other 6 members are elected by Rural Telephone Bank stockholders and must also hold Bank stock—3 must be from cooperative organizations and the other 3 from commercial companies.

Currently, only 8 of the 13 Board of Director positions are filled; 2 general public appointed members and 6 elected members. I will provide the requested list of Board Members for the record.

[The list follows:]

RTB Board Members

Representing the Public (appointed): Charles Bronson, Satellite Beach, Florida; and, Meryln Carlson, Vice Chairperson, Lodgepole, Nebraska.

Representing Cooperative Company Stockholders: Gary Kennedy, Panhandle Telephone Cooperative, Guymon, Oklahoma; John A. McAllister, Treasurer, West Carolina Rural Telephone Cooperative, Mt. Carmel, South Carolina; and Joseph Vellone, National Telephone Cooperative Association, Washington, D.C.

Representing Commercial Company Stockholders: Jack L. Bentley, Western New Mexico Telephone Company, Sivler City, New Mexico; S. Micheal Jensen, Great Plains Communications, Inc., Blair, Nebraska; and Curtis Sampson, Secretary, Hector Communications Corporation; Hector, Minnesota.

LOAN MANAGEMENT SYSTEM

Mr. Durbin. Because of various GAO and OIG audits of the REA, it was spending a considerable amount of money updating its loan management system. For the record, please tell us what the total cost of that system has been.

Mr. Huff. REA's review and analysis for improvements to its loan management system is ongoing. The cost to date is approximately $215,000. This project will be combined into the Information System Planning Project.

Mr. Durbin. Is that system now in place to comply with the problems relayed by GAO and OIG?

Mr. Huff. The effort to update the Agency's loan management system has not been completed. An interim system which will allow REA to meet the Federal Credit Reform Act reporting requirements has been implemented. An Agency Information System Plan of which the loan management system is an integral part has just been completed. The development of a loan management system is proceeding.

FACILITY REPLACEMENT

Mr. Durbin. Do you have an estimate of what the backlog of replacement of G&T, lines and poles, and system upgrades across the country would be?

Mr. Huff. No studies have been conducted on the amount of facilities which rural electric systems might need to replace. Distribution cooperative are investing $1 billion or more each year on system upgrades and construction of facilities to serve new customers. This level of new investment will continue for many years in order to maintain the level of service currently provided.

REA'S FIELD STRUCTURE

Mr. Durbin. Both former Secretary Madigan and current Secretary Espy are reviewing USDA's entire field structure. Is REA part of this review, and if so, describe for us the current situation with field offices.

Mr. Huff. REA does not have any field office locations and was not included in former Secretary Madigan's field structure review.

REA's field staff work out of their homes and travel to the borrowers' location to provide management, engineering and technical assistance and to perform loan fund accounting reviews.

EMPLOYMENT

Mr. DURBIN. Please provide for the record a table which reflects your actual employment for the last 10 years.

[The information follows:]

10-year Employment History

December:	*Total Number of Employees*
1983	637
1984	609
1985	599
1986	547
1987	534
1988	538
1989	531
1990	512
1991	518
1992	528

PRINTING AND REPRODUCTION

Mr. DURBIN. Please provide for the record a monthly obligation listing of your "printing and reproduction" obligations for fiscal years 1992 and 1993.

[The information follows:]

FISCAL YEAR 1992 AND 1993 MONTHLY OBLIGATIONS FOR PRINTING AND REPRODUCTION

Month	1992 actual	1993 to date
October	$0	$0
November	0	24,000
December	30,000	12,000
January	10,000	12,000
February	55,060	63,629
March	33,431	NA
April	12,070	NA
May	14,233	NA
June	21,622	NA
July	41,471	NA
August	30,851	NA
September	2,499	NA
Total	251,237	111,629

OTHER SERVICES

Mr. DURBIN. For the record, please provide a monthly listing of your "other services" obligations for fiscal years 1992 and 1993.

[The information follows:]

FISCAL YEAR 1992 AND 1993 MONTHLY OBLIGATIONS FOR OTHER SERVICES

Month	1992 actual	1993 to date
October	$27,079	$73,510
November	157,764	221,903
December	38,326	61,982
January	104,849	32,902
February	122,758	104,196
March	99,587	NA
April	101,465	NA
May	35,035	NA
June	124,879	NA
July	53,333	NA
August	92,022	NA
September	1,156,467	NA
Total	2,113,564	494,493

TRAVEL

Mr. DURBIN. Have any REA employees traveled outside the United States on REA business during fiscal years 1992 or 1993? If so, please provide the details of such travel for the record.

Mr. HUFF. I'll provide a list for the record.

[The information follows:]

FY 92 and 93 TRAVEL OUTSIDE THE UNITED STATES

Name	Date of Travel	Destination
George Bagnall	12/01/91-12/06/91	St. Thomas, Virgin Islands
Merle Beachy	01/20/92-02/20/92	American Samoa
James Bohlk	01/20/92-02/08/92	American Samoa
Jerry Brent	03/15/92-04/14/92	Guam, Palau, Saipan
Ken Chandler	03/15/92-04/14/92	Guam, Palau, Saipan
Ronald Dvorak	03/15/92-04/14/92 10/27/92-11/22/92	Guam, Palau, Saipan Ebeye, Saipan, Yag
G. Glen Garrison	11/29/91-12/12/91 03/08/92-03/20/92 01/24/93-01/30/93	St. Thomas, Virgin Islands St. Thomas, Virgin Islands St. Thomas, Virgin Islands
James Grant	10/18/92-10/30/92	San Juan, Puerto Rico
Anthony Haas	01/31/92-03/14/92	Guam, Marshall Islands Micronesia, Palau
Robert Halligan	12/08/91-12/14/91	St. Thomas, Virgin Islands
John Hunn	10/18/92-10/30/92	San Juan, Puerto Rico
Robert Lacomb	12/07/91-12/15/91	St. Thomas, Virgin Islands
Robert Lozier	12/08/91-12/12/91	St. Thomas, Virgin Islands
Sandra Lozier	10/27/91-11/27/91 10/18/92-10/31/92	San Juan, Puerto Rico San Juan, Puerto Rico
J. Bruce Marti	01/31/92-03/11/92	Marshall Islands, Micronesia
Gerald Schrage	12/08/91-12/13/91	St. Thomas, Virgin Islands
Bill Taylor	10/27/91-11/09/91	San Juan, Puerto Rico

OFFICE OF THE ADMINISTRATOR

Mr. DURBIN. Please provide for the record an object class breakdown for the Administrator's Office for fiscal years 1992, 1993, and 1994.

[The information follows:]

OBJECT CLASS BREAKDOWN

Object class and description	Fiscal year		
	1992 actual	1993 estimate	1994 estimate
1100 Personnel compensation	[1] $98,778	$180,000	$186,000
1200 Personnel benefits	[1] 13,637	37,000	41,000
2100 Travel and transportation of persons	11,732	25,000	25,000
2200 Transportation of things	312	0	0
2500 Other Services	233	1,000	1,000
2600 Supplies and materials	0	0	0
3100 Equipment	0	0	0
Total	124,692	243,000	253,000

[1] In fiscal year 1992, the Administrator's position was only filled for approximately two-fifths of the year. The Assistant to the Administrator position was occupied for only one-third of the year.

Mr. DURBIN. Please provide for the record a sub-object class breakdown of the actual expenses of the Office of the Administrator for fiscal years 1992 and 1993.

[The information follows:]

OFFICE OF THE ADMINISTRATOR

Sub–object Class Breakdown by Month

	Fiscal Year 1992 Actuals					
	Personnel Compen.	Benefits	Travel	Transport. of Things	Other Services	Total
Month	1100	1200	2100	2200	2500	
October	$9,022	$1,606	$311	$0	$10	$10,949
November	20,478	2,293	924	0	8	23,703
December	5,020	1,591	86	0	0	6,697
January	5,989	557	0	0	0	6,546
February	1,893	227	0	0	0	2,120
March	2,885	227	401	0	3	3,516
April	2,885	227	1,038	0	3	4,153
May	2,629	340	1,266	0	0	4,235
June	4,096	319	2,660	0	172	7,247
July	12,196	2,288	0	0	0	14,484
August	17,113	1,922	1,934	0	20	20,989
September	14,572	2,040	3,112	312	17	20,053
Total	98,778	13,637	11,732	312	233	124,692

	Fiscal Year 1993 Actuals To Date					
	Personnel Compen.	Benefits	Travel	Transport. of Things	Other Services	Total
Month	1100	1200	2100	2200	2500	
October	$14,461	$2,215	$1,676	$0	$44	$18,396
November	13,931	2,015	441	0	308	16,695
December	15,885	2,111	3,542	0	31	21,569
January	14,343	2,662	0	0	6	17,011
February	13,787	2,597	2,265	0	32	18,681
Total	72,407	11,600	7,924	0	421	92,352

Mr. DURBIN. Thank you very much.
Mr. Skeen?
Mr. SKEEN. Thank you, Mr. Chairman.

ECONOMIC STIMULUS PACKAGE

Mr. Huff, it is good to have you and your group here again. And as an REA user and an REA customer, I have a keen interest in the programs; and I think we have taken a lot of criticism. But there is still a lot of country in this United States that has less than one customer per mile, which was the original criteria, I believe.

We talked about the administration's approach on the budget. It is my understanding that there is presently a backlog of $750 million in applications for insured loans from REA.

Was there any consideration of putting some of that in the stimulus package?

Mr. HUFF. I really can't address that, Congressman.

Mr. SKEEN. Was there any discussion in the agency?

Mr. HUFF. Could be. But if so, I am not aware of it.

Mr. SKEEN. If you weren't aware of it, they were keeping it awful quiet.

TELEPHONE LOAN DEFAULTS

I also understand that it has been common knowledge that the REA telephone loan program has never, in its 44 years, experienced a loss due to borrower default; is that unique?

Mr. HUFF. That is a true statement. We have not——

Mr. SKEEN. It is unique, is it not?

Mr. HUFF. It is very unique. And telephone is an area where we don't have a troubled borrower.

Mr. SKEEN. You have never had a default?

Mr. HUFF. No, sir.

RESERVE LEVELS

Mr. SKEEN. I am interested in the topic that the Chairman was discussing about priorities. I think that has been a mistake—of course. In the initiation of the program, you got used to having a traditional method of operating, but, it is time to get back to prioritizing these loan applications. First come first served is not getting us anywhere.

So I would like to talk to you about reserve accounts.

What is REA's position on the amount of reserves held by co-ops primarily for the purpose of replacing worn out equipment?

That has become a matter of concern. Some of these generators have been in business for some time. And we are having to consider replacing some of them.

Mr. HUFF. Are you talking about the generation and transmission borrowers?

Mr. SKEEN. Generation and transmission and the service area of the operation of the co-ops.

Mr. ARNESEN. We do have a situation where rural electric systems have built two million miles of line over 75 percent of the

land area of this Nation. All they are serving is 11.2 million customers.

And, yes, there are systems that are going to have to face rebuilding. But every utility, every single utility will need to face this issue. This is where some of the critics of the program may have been in error. They think that once the facilities are constructed, they stay there forever; and that is not true.

Mr. SKEEN. That is a mistake.

Mr. ARNESEN. And I think that rural electric systems, just like utilities serving Washington, D.C., are constantly replacing facilities they have to improve. And our rural borrowers are investing about a $1 billion a year in new facilities to connect new customers and replace old facilities. And that is an ongoing investment every year.

Mr. SKEEN. The question that I was trying to focus on was: What is your reserve policy? What do you consider an adequate reserve level? Is there any criteria for your policy?

Mr. ARNESEN. There is no policy on general fund reserve levels. That is a decision that each system makes.

Our rural electric systems, though, are, indeed, utilizing internally generated funds for financing new construction. They don't come to REA for all of their capital requirements. They use internally generated funds for part of their construction.

Overall for rural electric systems, the level of general funds averages 8 percent of total utility plan.

Mr. SKEEN. So you have two situations: They could either hold a reserve, or come to you for additional funding for repairing and replacing equipment?

Mr. ARNESEN. Yes, sir.

Mr. SKEEN. And that is in your policy?

Mr. ARNESEN. Yes, sir. They are eligible for financing new construction.

INSURED LOAN PREPAYMENT

Mr. SKEEN. There has been interest in prepaying insured loans. What is the agency's position on that?

Mr. HUFF. We have a proposed regulation that is in circulation now for approval that would enable borrowers of insured money to prepay their loans. Our goal is to have a final regulation published by this summer. It would allow borrowers that choose to prepay, to do so.

Mr. SKEEN. So it is an open policy?

Mr. HUFF. On the insured money.

MEMBER GUARANTEES

Mr. SKEEN. Since 1990, there have been loan advances of nearly $1 billion in the Federal Financing Bank loans of generation and transmission plants that were contingent upon the REA obtaining guarantees from the distribution member systems.

Has REA made any progress on obtaining the distribution member guarantees?

Mr. HUFF. Yes we have.

Jack, would you elaborate on that?

Mr. ARNESEN. Yes, sir, we have. I think it was approximately $272 million in loan guarantees that had been approved for six generation and transmission systems that required guarantees from the members. And there has been a great deal of work that has been put into it.

One of the problems was the decision on the part of our borrowers, which was not a requirement of REA, to have an inter-guarantor arrangement so that if one of the members of a G&T defaulted on its guarantee to the government and some other distribution system had to make that payment, they wanted security on that distribution system's facilities.

And this created a scenario where we had to have inter-guarantor agreements, and there had to be recognition of a lien accommodation; it is a very complex and really time-consuming process which we are going through. We are getting to the end of the tunnel at this time. Most of the borrowers have completed their work.

We found some errors in a few of the agreements that have been executed. We are asking to have them corrected. But it has been a very, very time consuming process.

Mr. SKEEN. It is kind of new ground for you, was it not?

Mr. ARNESEN. Yes, sir, it was, very new.

Mr. SKEEN. But it was a necessary adjunct to the distribution and transmission?

Mr. ARNESEN. We believe so, yes, sir.

Mr. SKEEN. Are the REA systems interested in wheeling?

Mr. ARNESEN. Some, of course.

Mr. SKEEN. That is on an individual basis?

Mr. ARNESEN. Yes.

DISTANCE LEARNING AND MEDICAL LINK GRANTS

Mr. SKEEN. The Medical Link grant program, that appropriation is under REA's auspices, as I understand?

Mr. HUFF. That is right.

Mr. SKEEN. How much money is going to be in that particular program?

Mr. HUFF. There is $10 million available this year. A carryover of $5 million is available from last year because we didn't have the regulations completed. Therefore, we have a total of $10 million available for this year.

Mr. SKEEN. So you will have something like 15 million after this fiscal year, if the budget holds up?

Mr. HUFF. If it stays like it has in the past.

Mr. SKEEN. How many applications do you have? We had several outside witnesses mention this program to us yesterday. There is intense interest.

Mr. HUFF. We have had over 2000 inquiries, and we estimate that we may get as many as 600 loan applications and with a maximum of $500,000 per grant-not loan, but per grant.

Mr. SKEEN. It is hard to turn the loan business into the grant business.

Mr. HUFF. It is a very active program, and we expect lots of continued interest in it.

Mr. SKEEN. Well, from the evidence that we have seen, there is an intense interest; and I think it is one of the technologies that is extremely important to rural areas in this country.

Mr. HUFF. I agree.

REA FIELD STRUCTURE

Mr. SKEEN. Let me talk to you about your field personnel. You have 110 field personnel that work out of their homes?

Mr. HUFF. That is right.

Mr. SKEEN. Would you give me a comment on what your overhead costs for field personnel are compared to other USDA Agencies? How do you compare with them?

Mr. HUFF. I cannot give you exact figures, but I can tell you how we operate. It is the most reasonable service that you will find in my opinion.

Mr. SKEEN. Cost-effective?

Mr. HUFF. They work out of their homes and travel a lot. They have been furnished a laptop computer and a fax machine and we hope, eventually, a portable telephone. But we have no regional offices, no local offices. They all work out of their homes.

And we have the services-three types of services out there. We have a general field representative with expertise in the telephone area, a general field representative that has expertise in the area of electrical; and we have field accountants.

Mr. SKEEN. Tell me, do you have fax machines?

Mr. HUFF. Those that have requested them have fax machines.

Mr. SKEEN. How up to par are you on your computer needs?

Mr. HUFF. Computerwise, we are in bad shape. But we are addressing that issue and should have new field computers procured for the field staff by September. We have the money set aside in our budget, and we should complete the purchase by the end of the fiscal year.

Mr. SKEEN. But you are very cost-effective as far as your field personnel are concerned.

Mr. HUFF. Yes, very much so.

Mr. DURBIN. Mr. Thornton?

Mr. THORNTON. Thank you very much, Mr. Chairman. Is there any way that you could let me go ahead of Mr. Skeen because he is always asking the best questions and pursuing lines of inquiry that are so important to my district.

DISTANCE LEARNING AND MEDICAL LINK NETWORK

But I do want to move further along the line of questioning about the Distance Learning and Medical Link network, which Mr. Skeen developed.

It seems to me that this is a very important program for the agency, and your answer was that you agreed with that?

Mr. HUFF. Very much so.

Mr. THORNTON. Let me add a dimension to it. I believe that we are going to see a major focus on a telecommunications highway—that we are going to be working to link communities and universities throughout the country with an effort made to do what our

interstate highway system did for this country back during the Eisenhower years.

Is rural America in danger of being left out of that?

Mr. HUFF. We certainly hope not because it is very much needed. I agree with you. And I would like to use, as an example, a visit that we had from one State that is attempting to put together a system through the 15 junior colleges in that State. With the monies that they hope to get from our program, as well as some money that is being provided by the State and different companies, they will develop a telecommunications network over which they can provide nurses training and things of that nature.

I think that speaks well of how it can be done as a group instead of individually. We hope that type of approach will cause our money to go further and be better utilized. It is a tremendous and immediate opportunity for the future.

Mr. THORNTON. The quality of life in rural America has been greatly enhanced by the cooperatives and by your agency. I think it is very important that we not overlook that we live in a changing world and that we will need, Mr. Chairman, to address this kind of issue when the appropriations come forward for such things as a superhighway for telecommunications, which may just link our cities and not do anything about our rural areas.

5-PERCENT ELECTRIC LOANS

I am also interested in the flexibility that you are maintaining with regard to emergency situations. I believe the President's proposal called for some $25 million to be maintained as available for 5 percent loans.

Can you give me any idea of how that will be prioritized?

Mr. HUFF. We are going to have to come up with a method of assessing needs, like we were discussing previously.

There are two ways you can look at this issue, assessing the needs or methods of prioritizing applications. We are going to have to come up with a way of prioritizing those requests for funding.

Mr. THORNTON. And that would be $25 million in hardship loans for hardship borrowers through 1998.

Is that the way the budget is coming forward?

Mr. HUFF. I believe that is the way it will be presented.

Mr. DEWHURST. Yes, sir, that is right.

Mr. THORNTON. What kind of reaction are you getting from the cooperatives as to the change? What is the interest rate now for borrowers?

We had a 5 percent rate, and there has been a reduction in long-term interest borrowing as a result of increased confidence that we are going to get our deficit under control.

What are current rates?

Mr. HUFF. The current rate for insured loans is 5 percent.

Mr. THORNTON. Yes, sir. Commercial.

FEDERAL FINANCING BANK RATES

Mr. HUFF. And then in what we call the Guaranteed Program, money coming from the Federal Financing Bank is at the Treasury

interest rate plus one-eighth of a percent. Those are the two programs we have now.

Mr. THORNTON. And that rate is in the range of——

Mr. HUFF. 6.8. Under 7. Somewhere in that range.

Mr. THORNTON. I have tried to reassure some of my cooperative borrowers that if we are able to get some financial integrity to our Nation, that those long-term rates may fall further and that it will not be as much of a penalty. I hope that is not wishful thinking. I hope that is what you all are hoping as well.

You are nodding yes, that you are hoping that.

Mr. HUFF. Well, like we said earlier, we don't have all the budget data; so we don't really know exactly where that will end up.

Mr. THORNTON. Thank you very much for your good responses.

Mr. Chairman, I yield back.

Mr. DURBIN. Mrs. Vucanovich?

Mrs. VUCANOVICH. Thank you very much, Mr. Chairman.

As Mr. Thornton mentioned, I think that Mr. Skeen asked a lot of questions—or certainly made a lot of points and Mr. Thornton made a few more. But I would like to make a couple of comments and get your reaction.

INCREASED INTEREST RATES

It is my understanding that President Clinton wants to cut government subsidies for rural electric cooperatives, but he has not proposed cuts in the larger subsidies to other kinds of electrical utilities serving cities and suburbs, like the tax-free bonds for city-owned electrical utilities and tax breaks for investor-owned utilities.

I understand that the President is also proposing another subsidy for investor-owned electric outlets in the form of an investment tax credit.

This seems a little bit unfair and discriminatory to rural America, which is struggling to recover from recent economic hard times. I realize you don't have the details of the budget, but I would wonder if you would comment about that difference, if you would be in a position to comment about that.

Mr. HUFF. As I mentioned earlier, we do not know whether or not the figures that have been published are sound or not. We are in the process of reviewing the material. There is a committee working on the increases. The President is recommending increasing loan interest rates. If the proposal comes forward as discussed in a Vision for Change, it is one that we feel is doable.

Now, the question of whether or not the playing field is level, I really cannot address that at this time.

Mrs. VUCANOVICH. Well, I think you probably are aware that the service that you provide is important to rural areas such as those in my State. And I have been very supportive of REA, and I think that a lot of these loans that we are discussing are being used to bring the service into the 20th and 21st Century and into the modern information areas.

So I hope that we can find ways to be helpful and I feel that your role is not finished. We hope that you will be able to continue. I

have no specific questions. I think you are in a position that you cannot answer a lot of specific questions.

Mr. HUFF. We thank you for your comments because we share your feelings on that too.

Mrs. VUCANOVICH. Thank you.

I yield back the balance of my time.

Mr. DURBIN. Mr. Peterson?

Mr. PETERSON. Thank you, Mr. Chairman. I will be brief because, I have missed most of the discussion. I apologize for that, it was because of another meeting.

I did want to follow up on some alternatives for these co-ops that are out there. They are going to lose, if you will, through the budget process, the REA low-interest loans.

Have we talked about it, or has the administration talked about the REA being allowed to issue municipal free bonds on the order of an urban company in order to finance expansions and operations?

Mr. HUFF. Congressman, I understand there have been discussions, but I really can't speak on the issue. I don't know where that stands.

Mr. PETERSON. Well it occurs to me it might be a fair alternative to low-interest loans.

POCKETS OF NEED

At the same time, I do believe that there might be some opportunities for us to evaluate areas of the country or pockets of poverty whereby the REA might still be needed in its original capacity.

Has that been considered?

Mr. HUFF. Again, I cannot speak to the details of whether or not it has been considered. But a good example of what you are talking about are some of the things that are occurring in Alaska. There is a pocket of real need there.

In fact, we just finished approving a loan for the villages that are provided services through generators. These are run by diesel fuel which is brought in once a year. And that is a good example of pockets of needs.

And I am sure that there are other examples across the country.

FUTURE TECHNOLOGY AND RURAL TELEPHONE SYSTEMS

Mr. PETERSON. I am convinced that there are. And I, in fact, represent a number of those communities. And I am concerned that there are some alternatives for these services, because it is not just a matter of maintaining what we have; it is looking into the future and taking advantage of the technologies that will be available in the future.

And you are going to wake up some morning 20 years from now and realize, hey, we made a terrible mistake. This is particularly on the telephone side of this. And I was surprised that, in your testimony, you had only granted one loan out of the base that you have.

Did I misread that? The monies that are available—only one FFB loan has been made to date?

Mr. HUFF. On the telephone side? That is this year. We will probably use all the money.

Mr. PETERSON. It is early in the year. So this is normal?

Mr. PETERS. Yes. We have three different lending programs: The Rural Telephone Bank, the Insured Program and the Guaranteed Program. We have made $123 million in loans from the Rural Telephone Bank; $15 million from the Insured Program; and a little over a million dollars from the Guaranteed Program.

Mr. PETERSON. Okay. Well, my point here is that if there is anything that is going to be left behind in the technology, it is rural telephone systems.

If the President is serious about the highway of data, we are going to miss rural America here because, who is going to fund the fiber optics, the new switching system, who is going to do all of this out in those areas?

We are going to miss rural America here if we are not careful, and I would only ask that this be seriously considered as part of a national concern in the information distribution process. I think it is very important.

I don't know that you have to do it. I don't know if this is the solution. I am just saying that I don't want us to wake up 20 years from now and recognize that we have, again, set ourselves back into the Twenties from the standpoint of technology. And it is a very major concern of mine.

Mr. HUFF. And we accept that. And one of the things that we can do immediately that will help to develop a method of prioritizing the needs because that can go right to the heart of where the money should be spent. The way it is now, particularly electric loans, if a co-op that comes in with a loan request, is in financially good shape, they go into the queue just like one that may be desperate. And we feel like we have to address that so that we can properly utilize our limited funds.

Mr. PETERSON. Is that how it has been in the past?

Mr. HUFF. Yes.

Mr. PETERSON. And you have taken steps to rectify that?

Mr. HUFF. Yes. We feel that there is a need, and we have discussed that outside of our agency. And it is something that we would want to address in the future, coming up with a method.

Mr. PETERSON. I appreciate you coming to testify.

And I apologize for being late, Mr. Chairman.

Mr. DURBIN. Mr. Walsh?

Mr. WALSH. Thank you, Mr. Chairman.

REA'S CONTINUED MISSION

I would like to thank the witnesses for the testimony today. As you know, a great deal of focus has been placed upon our deficit and how to reduce the size of government and how to control costs. And there have been a lot of lists around this spring, and the REA tends to show up on a lot of those.

In your opening statement, you said that, today, nearly all rural areas have reliable electric and telephone service and that many rural, electric, and telephone borrowers are financially successful and stable. And in the booklet that you provided us, the chart on

page 7 shows that, in electricity, there has been no increase in penetration since 1963 and no appreciable, noticeable penetration and, in telephone, less than a 5 percent increase in penetration since 1975.

Why do we need you?

Mr. HUFF. Well I think it indicates, Congressman, that we have been very successful since 1935 in reaching practically all of the country. There are still pockets of needs. We just talked about it, in Alaska, and out West and different areas, where we don't have service at all or limited service.

Our need as an agency is to continue to see that those services are maintained properly, that technology is utilized as it is developed and is made available to rural America just like it is in urban areas. And this is a changing rural America and I have lived there all of my life—from the time that I used to know when it was just good to have electricity and a 12-party phone system to the point where all of these different technologies, call waiting and all of that on the phone, and reliable, affordable service——

Mr. WALSH. With all due respect, I am not sure that call waiting is an improvement.

Mr. HUFF. I have a tendency to agree with you on that.

And by the way, staff is bringing to my attention, that service percentages only pertains to farms.

Mr. WALSH. As opposed to?

Mr. HUFF. All rural residents.

This pertains to farms.

Mr. WALSH. So it wouldn't encompass businesses?

Mr. HUFF. That is right. Or people that just live in a small subdivision, a nonfarm subdivision in rural areas.

Mr. WALSH. It would seem that market penetration would be broader in commercial sectors than in residential?

Mr. HUFF. Probably so.

PRIVATIZATION OF NETWORK

Mr. WALSH. Okay. Are there not telephone companies and utility companies who would be willing to take over part of this network and privatize it?

Mr. HUFF. I am going to let Mr. Peters speak to that. He is familiar with that.

Mr. PETERS. About 70 percent of our telephone borrowers are private companies. Only about 30 percent are cooperatives.

Mr. WALSH. And do you loan at reduced interest rates to those public utilities?

Mr. PETERS. We actually make loans from three different sources: The Insured Program, with the basic 5-percent rate; the Rural Telephone Bank, where our rate is approximately the cost of money to the Treasury; and the Guaranteed Program, where it is the Treasury interest rate plus an eighth of a percent.

ORIGINAL LOANS AT COST-OF-MONEY

Mr. WALSH. That raises another point, and that is that the REA was not originally developed as a subsidized program. It used to loan money at market rate. However, over the years it has evolved

into a subsidy program. Now the President is looking at reducing that subsidy.

What is your response to that? Why has it evolved into a subsidy program?

Mr. HUFF. Well, to bring about services that would be affordable to the people in rural America despite the problem of low density, such as having to run a mile of line to reach two consumers. It is a tremendous expense to build these two million miles of lines, that we have in the electric program, to reach the people in the outlying areas.

Mr. ARNESEN. The act was amended in 1973, when the interest rate was raised from 2 percent to 5 percent. The 5 percent in 1973 was about the cost of money to the government.

To address your other question that Mr. Peters answered on the telephone side, you look at the electric side and in the state of North Dakota, the rural electric cooperatives had to build 65,000 miles of line to service 103,000 customers. In South Dakota, they built 62,000 miles of line to service 109,000 customers. These are farmers, residences, and businesses. And even in the State of New York we only have four small cooperatives, but they had to build 3,000 miles of line to serve 13,000 customers.

Mr. WALSH. When were those facilities placed?

Mr. ARNESEN. They have been built since the 1930's.

CONTINUING UTILITY INVESTMENT

Mr. WALSH. So they have been amortized over 50 years. So they are probably paid off; right?

Mr. ARNESEN. The issue is that every year, every utility, whether it serves rural or urban America, has got to constantly improve their facilities. And rural electric systems are investing $1 billion each and every year in new facilities, even though the lines are there. Even though we may have almost complete coverage, they still have to invest a billion dollars a year to build new facilities, improve facilities, and extend service to new customers.

Mr. WALSH. You said a billion dollars. Of that billion dollars, how much of that comes from the ratepayer?

Mr. ARNESEN. All of it comes from the ratepayers, any time you invest new money.

Mr. WALSH. So you have an existing system that is being maintained by a public utility that borrowed the money, has paid off the loan, and is now operating with the ratepayers covering the cost of maintaining that network?

Mr. ARNESEN. Well, the loans are not paid off. We still have $12 billion outstanding in insured funds, and they have been rebuilt since that time. They were built in the late 1930's. Most of that has been rebuilt.

We still have some facilities that were built in the 1940's and 50's that are going to have to be replaced.

Mr. WALSH. What you are saying, then, is that the rates that they are paying are not covering the cost of maintaining that system.

Mr. ARNESEN. Oh, yes, they cover costs because they must meet a certain level of earnings in order to meet their mortgage. And we

have required a tier coverage of 1.5 on our loans that we approve with a supplemental lender. And it should be recognized that not all of the financing comes from REA. We require them to obtain a certain portion from the private sector. In most cases, 30 percent of the financing comes from the private sector.

Mr. WALSH. Well, it strikes me that the American taxpayer helped to develop and build this system. And you have reached almost 100 percent of the American public. It is a tribute to the planning that went on in the 1930s when we needed to electrify rural America.

But it would seem to me, if the plan was not originally meant to be a subsidy, then we should stop the subsidy. And the ratepayers, whether they are urban, suburban or rural, the ratepayers should cover the expense of maintaining that system without additional subsidized government loans.

Mr. ARNESEN. Well, in Vision of Change for America, there was a discussion of making changes in the interest rate on financing from REA to the cost of money to the Treasury.

TELEPHONE LENDING

Mr. WALSH. Just one last question. And that is: You mentioned a number of these telephone and electric systems are owned by public utilities. They are also owned and developed by private companies, are they not?

Could you name a couple of those well-known ones?

Mr. PETERS. When you say well known?

Mr. WALSH. Telephone companies for example.

Mr. PETERS. Oh. Are you talking about the Contels, GTEs?

Mr. WALSH. Those are recognizable. Are they receiving subsidized loans?

Mr. PETERS. Some of them are.

Mr. WALSH. Why? They are very profitable companies.

Mr. PETERS. The law is very specific about determining the interest rate on a loan. It is a matter of a feasibility study. Whether or not they have a density of greater than three a mile, and whether or not they can support a certain interest rate coverage: That determines whether they get an insured loan at 5 percent or a loan from the Rural Telephone Bank at about 7 percent.

Mr. WALSH. So some of these companies may get a rate at this level and others at a different level depending on the number of subscribers per square mile?

Mr. PETERS. Per route mile.

Mr. WALSH. Linear mile of facility or whatever?

Mr. PETERS. Correct. And then their ability to support a specific interest rate coverage.

Mr. WALSH. When was that developed?

Mr. PETERS. It was modified in 1973, I believe; and it was raised from two subscribers to the mile to three subscribers to the mile.

Mr. WALSH. As the population grew?

Mr. PETERS. It was changed as part of the requirement to, I guess, make a clearer division between those that would qualify for the Rural Telephone Bank and those that would still get insured loans.

Mr. WALSH. I don't want to belabor this, but my questioning points out that I have very serious doubts about the needs for this extension of the Federal Government. And, obviously, we will continue to discuss this.

But you can see how complex and intricate these formulas are to determine what? How some very large profitable companies in this country are being subsidized, and the old concept that the road to hell is paved with good intentions. The idea here is to provide electrification and telephone service to rural America. We are doing that. And I think the ratepayers—urban, suburban or rural—need to pay for that service if they are going to have it.

Mr. DURBIN. Thank you Mr. Walsh.

CO-OP SERVICE AREAS

I would like to follow up on that. There was a television special relative to REA loans to ski resorts in Aspen and Vail, Colorado, and Hilton Head, North Carolina.

Can you tell us, if you would, for the record I would like to hear your explanation of the types of loans that were given through REA and for what purposes.

And this is your chance for rebuttal on what was publicized.

The gist of the story, obviously, following Mr. Walsh's question, is that these ski resorts and beach resorts were a far cry from the original mission of REA and raised the question of whether the taxpayers should continue to subsidize that kind of economic development.

Mr. HUFF. I think the best way I can answer that is, before those areas became resort areas, there was nobody out there. And REA carried services out there; and those particular resort areas-the two that you mentioned-are success stories.

But they don't tell the whole story for that particular co-op because there are people that belong to that co-op that still have low density and the co-op put the lines out there to provide service.

So, when you look at just a particular resort area without looking at the entire co-op service area, it looks like one that we should not be involved in. But I am of the opinion that just because we have been successful in some areas, because of economic development, whatever, that would be-that should not be a logical reason to condemn the whole program.

Mr. DURBIN. Did the loans go to the companies involved here or to the co-op?

Mr. HUFF. It goes to the co-op.

Mr. DURBIN. Does the co-op direct the proceeds from the loan for development at the resorts, for example?

Mr. HUFF. All the co-ops do, is provide the service, the electrical service. The growth of the company depends upon that company's personal management and success story.

Mr. DURBIN. But is it fair to say that the company, the resorts involved here, ultimately benefitted from the subsidized interest rates which we provide for REA?

Mr. HUFF. I would say, yes, they did benefit.

Mr. SKEEN. Will the gentleman yield?

Mr. DURBIN. Certainly.

Mr. SKEEN. I think what you are talking about is access to service. They paid a rate higher than they would pay in an urban community.

Mr. HUFF. That is right.

Mr. SKEEN. But what they are really paying for is the subsidy which went for access and service connection, not the continuing service.

Mr. HUFF. That is right. That service had to be——

Mr. SKEEN. I don't mean to jump in and try to take over the job of helping you out, but coming from a rural community, the concept of the users are going to pay for these things is absolutely correct. The rural users are paying higher rates than probably their city cousins are; but the density is the question.

If the density is not there and you cannot amortize the loans, you cannot get a loan because of the low density involved in the beginning or the outset of this thing. It is a very complicated thing. It is difficult for a lot of people to understand.

I yield.

Mr. DURBIN. I thank my colleague, and I appreciate his contribution to the conversation. I think that is an important element.

I believe that the television story suggested that REA was servicing Aspen, Vail, and Hilton Head. My staff suggests that that may not be accurate.

Does REA service all these resorts?

Mr. HUFF. I know we do in Hilton Head.

Mr. ARNESEN. I might comment that the remaining area of that cooperative probably compromises some of the poorest, low-income areas in the entire country. So, perhaps, the benefit of having the resort of Hilton Head in that service area helps those poor people in the rates that they might otherwise have to pay.

RURAL DENSITY

Mr. DURBIN. Let me ask you this, harkening back to our history in this country, at one point Chicago was an onion field and some people think it still should be; I am not one of them, obviously, it is quite different today. We have seen, in the 57-year history of the REA, a lot of rural America change and become suburban and even urban.

Do you ever redefine and reclassify and say that, we have reached a problem, the density situation is so different that this is not rural anymore; it doesn't qualify for REA; time to graduate them into another category? Or is it, once rural, always rural?

Mr. HUFF. We are not able to do that. The current statute doesn't allow us to address that. That becomes a territorial situation, which is——

Mr. DURBIN. I understand that a lot of these things are interrelated, and it may be hard to separate them out. But I think that is where we start to get into some degree of trouble areas that were once vast acreage of farming that grew to be huge towns. It is tough to argue about density and the fact that we are serving, quote, "rural America." And it may go back to the question that we asked about prioritizing.

Mr. HUFF. I think it plays a strong part in our future. We should also remember, Mr. Chairman, that these co-ops are nonprofit;

whatever is happening in that co-op, there is nobody profiting from that.

The consumers own the system. So, if they are paying what was said a while ago, a higher rate because of their density, they are not putting money in their pocket or putting it into the bank, so to speak, in equity.

Mr. DURBIN. I might say that in my part of the world, the rural co-op subscribers are paying a higher rate than the people in town. I think the concern that we have is, when the benefits of REA directly or indirectly end up in the pocket of some profitable company, it is hard to justify this. I can see the economic development argument, but there comes a point where you have to draw a line, I suppose.

A BRIEF HISTORY OF THE RURAL ELECTRIC AND TELEPHONE PROGRAMS

Let me ask a few questions. This publication which you bring to us each year, I am told we require you to publish this?

[CLERK'S NOTE.—The document is too lengthy to include in this publication and will be retained in the Committee files.]

Mr. HUFF. That is right.

Mr. DURBIN. How much does it cost to publish this?

Mr. HUFF. We will have to get that, Mr. Chairman. I don't really know but I will provide a response for the record.

[The information follows:]

COST OF ANNUAL REPORT TO CONGRESS

In fiscal year 1991, the cost of printing the combined Brief History and Report of the Administrator was $1,000 for 2,000 copies. In fiscal year 1992, the same number of copies cost the Agency $1,125.

Mr. DURBIN. It is a good publication. I don't know that we need it every year.

Mr. HUFF. I will take the hint. I assure you.

Mr. DURBIN. Why don't you let us know what it costs. And also if you could get down to basics, I notice that you have combined a couple of publications in the past; maybe we should publish this every four years or something like that, maybe the history of the REA won't change that dramatically over four years.

Mr. HUFF. We will consider that a part of our streamlining of the agency.

Mr. DURBIN. I appreciate that. I have done something today. That is it. We quit. Can't touch these millions of dollars of loans, but when you get down to publications, boy, we can really make progress.

HYDROELECTRIC POWER

Let me ask you this, does REA encourage hydroelectric?

Mr. HUFF. With my short tenure I will ask Mr. Arnesen——

Mr. ARNESEN. I am not sure that we encourage or discourage it. We look at, is there a need for the power and what is the most economical way to obtain it?

But we would consider it.

Mr. DURBIN. If the pros at rural electric co-op decided they wanted to try to utilize hydroelectric power, is there money available for that?

Mr. ARNESEN. We have financing available for generation facilities. And whatever is the most economical means is what we look at, sir.

GUARANTEED ELECTRIC LENDING

Mr. DURBIN. Can you tell me, as I look through this publication that I just mentioned, I see that there was a dramatic change in the amount of money that was borrowed by the co-ops starting in about 1977. It is noteworthy that from 1977 through 1983 there was a spike in borrowing by electric co-ops, long-term financing. And it appears to be primarily, almost exclusively, the guaranteed loans.

Mr. ARNESEN. Yes, sir.

Mr. DURBIN. What has been the long-term impact of all this debt on the rural electric co-ops?

Mr. ARNESEN. Well, we have some G&T systems that are under financial stress. And we have restructured the debt of several of our G&T systems. We are working with our G&T systems. They do have a challenge to face; many of them have excess capacity and are trying to market that capacity.

But, yes, we do have some borrowers that are in distress financially, and we have had to restructure the debt of some of these borrowers.

Mr. DURBIN. So during the period of time also when corporate America, the Federal Government and individual consumers were getting deeply in debt so, too, were the rural co-ops?

Mr. ARNESEN. This was a period when there was a strong effort to strive toward energy independence. There was a feeling that the use and consumption of electricity would continue at a particular level. But that factor did not develop. Nothing continues going up. There was more of an S-curve. We also got involved in nuclear facilities.

Mr. DURBIN. I know that very well.

IMPACT OF BTU TAX

What will be the impact of the BTU tax?

Mr. ARNESEN. We have not made a study of this. Our borrowers are looking at that individually. It is going to depend on a number of factors. But we will be looking at that; and when we do obtain some figures from our borrowers on it, we will share it with you.

[The information follows:]

EFFECT OF BTU TAX ON RURAL ELECTRIC SYSTEMS

State	Total Tax *	Percent of Revenue
Alabama	$22,698,631	4.75
Alaska	4,588,463	2.67
Arizona	9,548,983	4.67
Arkansas	17,183,327	4.39
California	888,683	3.89
Colorado	16,153,408	4.06
Delaware	1,528,925	3.44
Florida	25,641,460	3.50
Georgia	47,840,587	3.91
Idaho	3,291,380	5.73
Illinois	10,159,833	3.44
Indiana	17,553,362	4.07
Iowa	8,927,789	3.80
Kansas	8,500,944	3.44
Kentucky	46,693,208	5.94
Louisiana	14,415,078	3.65
Maine	311,420	2.72
Maryland	7,277,348	3.96
Michigan	5,325,697	3.36
Minnesota	21,953,517	4.07
Mississippi	26,207,816	4.48
Missouri	21,348,493	4.30
Montana	4,901,475	4.89
Nebraska	7,031,438	4.62
Nevada	2,681,090	6.04
New Hampshire	1,681,999	3.43
New Jersey	297,017	2.50
New Mexico	7,838,431	3.95
New York	408,207	3.69
North Carolina	23,981,334	3.35
North Dakota	8,375,885	4.68
Ohio	13,390,084	4.46
Oklahoma	15,842,313	3.99
Oregon	8,045,817	6.07
Pennsylvania	5,048,789	2.94
South Carolina	21,605,213	4.16
South Dakota	5,563,564	4.13
Tennessee	42,036,486	4.99
Texas	49,580,833	4.20
Utah	3,689,568	5.25
Vermont	513,498	2.84
Virginia	16,695,597	4.07
Washington	7,887,798	7.53
West Virginia	111,770	3.28
Wisconsin	7,065,034	4.09
Wyoming	7,712,232	5.28
Total	$600,023,824	Average 4.24

* Based on tax of $0.002924 per kWh; 1991 REA data.
Source: NRECA Economics Division, March 1993

RURAL ECONOMIC DEVELOPMENT LOANS

Mr. DURBIN. I understand you have a Rural Development Loan at 0 percent interest. That is a pretty good deal. Tell me what that is all about.

Mr. HUFF. Yes, sir. That is a program that has been very successful, and it is gaining more strength all the time.

Mr. DURBIN. I can see why it would be popular.

Mr. HUFF. Since the beginning of the program, we have loaned about $28 million. And based on the projections in the applications, that were funded, it has generated 7,600 jobs.

Mr. DURBIN. $28 million? 7,600 jobs? My friends on this side may want to calculate the cost per job.

Mr. WALSH. I will take one of those jobs.

Mr. HUFF. The co-op, along with whomever in their district is interested in starting a new business that would create jobs, they apply for a zero-interest loan from us. The REA borrower is responsible for the repayment of the loan. The borrower, in turn, normally makes a loan available to a third party in order to create business, new jobs, and generate economic development for their co-op area.

We have $12 million in the program this year. And we will use all of that. We used all the money last year. We recently revised the program regulations and are now able to loan up to $400,000 maximum. It was $100,000 previously.

Mr. DURBIN. Can we get a list of the recipients of those loans for the last year?

[The information follows:]

Rural Economic Development Loan and Grant Program – Selection Report FYs 92 & 93

04/07/93

Borrower & Designation	Amount	Type	Date Selected
Cullman Electric Cooperative AL 18 Project: Finance the construction of a manufacturing building for a furniture manufacturer in Hanceville, Alabama.	$100,000	Loan	9/2/92
Cullman Electric Cooperative AL 18 Project: Construct an addition to a manufacturing facility & purchase equipment for a furniture manufacturer in Fairview, AL.	$100,000	Loan	9/2/92
Cullman Electric Cooperative AL 18 Project: Construct a speculative industrial building in Garden City, AL.	$100,000	Loan	9/29/92
Pioneer Electric Cooperative, Inc. AL 22 Project: Construct a speculative industrial building in Georgiana, AL.	$100,000	Loan	9/29/92
Southern Pine Electric Cooperative, Inc. AL 27 Project: Assist in establishing a new medical garment manufacturing plant in Frisco City.	$100,000	Loan	9/2/92
Ozarks Electric Cooperative Corporation AR 24 Project: Finance the construction of a rural health center in Prairie Grove, Arkansas.	$100,000	Loan	9/2/92
KAMO Electric Cooperative, Inc. AR 32 Project: Construct a building for an aircraft maintenance and repair business.	$100,000	Loan	7/16/92
Marshall County Rural Electric Cooperative IA 7 Project: Assist a start-up business RM Corporation produce the "Art Center."	$200,000	Loan	12/17/92
Farmers Co-operative Telephone Company IA 519 Project: Construct a fire hall for the Town of Clutier, IA.	$100,000	Loan	9/29/92
Masssena Telephone Company IA 574 Project: Finance the purchase of equipment for a recycling company.	$30,000	Loan	7/16/92
IAMO Telephone Company IA 587 Project: Fire truck and equipment for Coin Volunteer Fire Department.	$36,000	Loan	1/28/93
Northwest Telephone Cooperative Association IA 591 Project: Establish a dental and eye clinic.	$100,000	Loan	4/30/92
Farmers Telephone Company of Batavia, IA IA 626 Project: Community antenna television (CATV) system.	$100,000	Loan	10/22/92
Hospers Telephone Exchange, Inc. IA 634 Project: Construct a medical clinic.	$80,000	Loan	4/30/92
The Ayrshire Farmers Mutual Telephone Company IA 643 Project: Construct a building and finance a gas station and grocery store.	$50,000	Loan	12/23/91
The Ayrshire Farmers Mutual Telephone Company IA 643 Project: Finance the construction of a convenience store and gas station in Ayrshire, Iowa.	$68,500	Loan	9/2/92
Preston Telephone Company IA 651 Project: Finance the construction of a 15,000 square foot speculative industrial building in Preston, Iowa.	$90,000	Loan	9/2/92
Corn Belt Electric Cooperative, Inc. IL 38 Project: Establish an aquaculture demonstration production facility at Illinois State University.	$55,000	Loan	9/29/92
Jo-Carroll Electric Cooperative IL 44 Project: Purchase forklifts and other equipment for the American Freezer Service, Inc. outside of East Dubuque, Illinois.	$400,000	Loan	2/10/93

Rural Economic Development Loan and Grant Program – Selection Report FYs 92 & 93

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Borrower & Designation	Amount	Type	Date Selected
Wabash Telephone Cooperative, Inc. IL 516 Project: Purchase an ambulance.	$65,000	Loan	4/30/92
Utilities District of Western Indiana R.E.M.C. IN 1 Project: Establish a manufacturing business, Electronic Lighting Systems in Linton, IN.	$100,000	Loan	12/17/92
Knox County Rural Electric Membership Corporation IN 40 Project: Construct a building for a vegetable growers cooperative.	$100,000	Loan	12/23/91
South Central Indiana Rural Electric Membership Corp. IN 60 Project: Expansion of a tool & die company.	$100,000	Loan	12/23/91
South Central Indiana Rural Electric Membership Corp. IN 60 Project: Expansion of plastic injection molding business.	$100,000	Loan	4/30/92
South Central Indiana Rural Electric Membership Corp. IN 60 Project: Construction of a sewer extension for the town of Mooresville, IN.	$220,000	Loan	2/10/93
Warren Rural Electric Cooperative Corp. KY 35 Project: Construction of and equipment for an 8,000 square foot addition to a garment manufacturing facility in Dundee, KY.	$100,000	Loan	9/2/92
West Kentucky Rural Electric Cooperative Corporation KY 50 Project: Finance site improvements to the Murray–Calloway County Technology Park.	$100,000	Loan	3/5/92
West Kentucky Rural Electric Cooperative Corporation KY 50 Project: Acquisition and renovation of a building for the Fancy Farm Fire Department.	$40,000	Loan	9/29/92
South Kentucky Rural Electric Cooperative Corporation KY 54 Project: Purchase of a fume scrubber ventilation unit for Superior Battery Manufacturing Company, Inc. of Russelll Springs, KY.	$100,000	Loan	2/18/93
West Kentucky Rural Telephone Coop. Corp., Inc. KY 525 Project: Finance the construction of an addition to the existing fire department building in Lowes, KY.	$25,000	Loan	9/2/92
West Kentucky Rural Telephone Coop. Corp., Inc. KY 525 Project: Project equipment for Clear Springs Volunteer Fire Department in Mayfield, Kentucky.	$30,000	Loan	9/29/92
Valley Electric Membership Corporation, Inc. LA 7 Project: Expand production of B & C Wood Company, Inc. (timber operation).	$100,000	Loan	12/17/92
Unity Telephone Company ME 506 Project: Finance the construction and development of a community recreation complex in Unity, Maine.	$100,000	Loan	9/2/92
O & A Electric Cooperative, Inc. MI 40 Project: Construction of a convenience store/gas station in Mecosta township, Michigan.	$53,400	Loan	9/2/92
Cherryland Electric Cooperative MI 44 Project: Expand and upgrade the water treatment facility of the Crystal Mountain Resort.	$100,000	Loan	9/29/92
East Central Electric Association MN 1 Project: Construct a fire hall for the Dalbo Fire Department.	$75,000	Loan	9/29/92
Mille Lacs Electric Cooperative MN 81 Project: Purchase a fire truck for the City of Cuyuna.	$37,500	Loan	3/5/92
Mille Lacs Electric Cooperative MN 81 Project: Finance the remodeling and expansion of a medical clinic.	$100,000	Loan	7/16/92

Rural Economic Development Loan and Grant Program – Selection Report FYs 92 & 93

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Borrower & Designation	Amount	Type	Date Selected
Mille Lacs Electric Cooperative MN 81 Project: Purchase a fire truck for Onamia, MN.	$80,000	Loan	2/10/93
Clearwater Polk Electric Cooperative, Inc. MN 101 Project: Establish a park reservation business.	$100,000	Loan	9/29/92
Clearwater Polk Electric Cooperative, Inc. MN 101 Project: Expansion of existing mill facility (Pallet Minnesota, Inc.) in Bagley, MN.	$100,000	Loan	12/17/92
Farmers Mutual Telephone Company MN 501 Project: Finance the rebuilding of a firetruck for the Bellingham city fire department.	$25,000	Loan	7/16/92
Garden Valley Telephone Company MN 505 Project: Purchase a fire truck for the Town of Erskine and surrounding townships.	$75,000	Loan	12/23/91
Consolidated Telephone Company MN 537 Project: Construct a warehouse and purchase computer system for a manufacturer of electronic assemblies.	$100,000	Loan	12/23/91
Runestone Telephone Association MN 540 Project: Finance the construction of a multi-use community building.	$60,000	Loan	7/16/92
Arvig Telephone Company MN 542 Project: Finance improvements to the Pine River Airport.	$100,000	Loan	7/16/92
Benton Cooperative Telephone Company MN 559 Project: Finance the construction of a building for the expansion of a customized cabinet/millwork business.	$100,000	Loan	7/16/92
Twin Valley-Ulen Telephone Company MN 573 Project: Upgrade a gas station and build a convenience store.	$100,000	Loan	9/29/92
Twin Valley-Ulen Telephone Company MN 573 Project: Expand WHATS Manufacturing (a manufacturer of recreational vehicle products) in Ulen, MN.	$140,000	Loan	1/28/93
Deer River Telephone Co., Inc. MN 577 Project: Establish a treatment center for behavorial health problems.	$100,000	Loan	4/30/92
Sherburne County Rural Telephone Company MN 612 Project: Construct a fire station for the City of Big Lake and surrounding townships.	$100,000	Loan	12/23/91
City of Crosslake MN 622 Project: Construct fire, rescue, and police building.	$100,000	Loan	4/30/92
Clara City Telephone Exchange Company MN 624 Project: Expansion of a manufacturing facility for Interstate Grain and Milling Company in Clara City, MN.	$100,000	Loan	12/17/92
Cannon Valley Telecom, Inc. MN 629 Project: Construct a business incubator and city office building.	$100,000	Loan	9/29/92
Farmers' Electric Cooperative, Inc. MO 42 Project: Purchase new equipment for the Wire Rope Corporation of America, Inc. in Chillicothe, MO.	$400,000	Loan	2/10/93
White River Valley Electric Cooperative MO 46 Project: Construct a building for a sign manufacturer.	$100,000	Loan	7/16/92
Nodaway Worth Electric Cooperative, Inc. MO 51 Project: Recycle waste into thermal engery generation at Northwest Missouri State University.	$100,000	Loan	9/29/92

Rural Economic Development Loan and Grant Program – Selection Report FYs 92 & 93

04/07/93

Borrower & Designation	Amount	Type	Date Selected
Southwest Electric Cooperative MO 53 Project: Expand the retail facility of a home improvement/construction supply outlet in Bolivar, Missouri.	$100,000	Loan	9/2/92
Coast Electric Power Association MS 28 Project: Construction of rail car storage track at the Port Bienville Industrial Park.	$100,000	Loan	2/18/92
Southern Pine Electric Power Association MS 40 Project: Construct an industrial building in the Simpson County Industrial Park.	$200,000	Loan	1/28/93
Missoula Electric Cooperative, Inc. MT 12 Project: Construct a nine–hole public golf course.	$100,000	Loan	9/29/92
McCone Electric Co–op. Inc. MT 28 Project: Construct a medical assistance facility.	$50,000	Loan	3/5/92
McCone Electric Co–op. Inc. MT 28 Project: Construct a nursing home and medical assistance facility in Jordan, Montana.	$50,000	Loan	1/28/93
Lincoln Electric Cooperative, Inc. MT 36 Project: Construct storm drainage system for town.	$70,000	Loan	4/30/92
Mid–Rivers Telephone Cooperative, Inc. MT 512 Project: Construct a nursing home and medical assistance facility in Jordan, Montana.	$50,000	Loan	1/28/93
Triangle Telephone Cooperative Association, Inc. MT 516 Project: Expansion of anexisting medical facility at Chester Clinic.	$100,000	Loan	1/28/93
Blue Ridge Electric Membership Corporation NC 23 Project: Finance the purchase of equipment for a manufacturer of closet shelving systems.	$100,000	Loan	7/16/92
Tri–County Electric Cooperative, Inc. ND 13 Project: Finance inventory and operating costs for the production of an agricultural implement to harvest beans and grain crops.	$100,000	Loan	9/2/92
Tri–County Electric Cooperative, Inc. ND 13 Project: Purchase preferred stock as equity for a new pasta company.	$100,000	Loan	9/29/92
R.S.R. Electric Cooperative, Inc. ND 21 Project: New painting facilities and equipment for a manufacturer of agricultural products and equipment in Wahpeton, ND.	$100,000	Loan	9/2/92
North Central Electric Cooperative, Inc. ND 22 Project: Construct a garbage transfer station and purchase a trash compactor for the town of Bottineau.	$100,000	Loan	9/29/92
KEM Electric Cooperative, Inc. ND 27 Project: Expand Wishek Steel and Manufacturing Company in Wishek, WI, into a new tillage line of equipment.	$50,000	Loan	1/28/93
Sheyenne Valley Electric Cooperative, Inc. ND 30 Project: Finance inventory and operating costs for the production of an agricultural implement to harvest bean and grain crops.	$100,000	Loan	9/2/92
West Plains Electric Cooperative ND 33 Project: Assist a bakery in purchasing freezer equipment to expand its existing business.	$100,000	Loan	9/2/92
Cavalier Rural Electric Cooperative, Inc. ND 38 Project: Establish a PMU operation that will collect the raw material to extract hormones.	$100,000	Loan	9/1/92
Dakota Central Rural Telephone Cooperative Assoc. ND 521 Project: Purchase preferred stock as equity for a new pasta company.	$100,000	Loan	9/29/92

Rural Economic Development Loan and Grant Program – Selection Report FYs 92 & 93

04/07/93

Borrower & Designation	Amount	Type	Date Selected
Consolidated Telephone Company ND 533 Project: Finance the expansion of a market development sales and service bureau.	$50,000	Loan	3/5/92
Henderson Cooperative Telephone Company NE 555 Project: Establish a painting, siding, and gutter installment company.	$40,000	Loan	9/29/92
Morrow Electric Cooperative, Inc. OH 59 Project: Water and sewer extensions from the town of Fredericktown into the Middlebury Township.	$86,600	Loan	9/29/92
Firelands Rural Electric Coop., Inc. OH 83 Project: Expansion of a crossbow bolt manufacturing facility.	$100,000	Loan	3/5/92
Kay Electric Cooperative OK 2 Project: Finance a factory outlet center.	$100,000	Loan	7/16/92
Rural Electric Cooperative, Inc. OK 20 Project: Finance the construction of a crude oil trucking facility.	$100,000	Loan	7/27/92
Panhandle Telephone Cooperative, Inc. OK 530 Project: Construct a branch manufacturing facility for a manufacturer of custom cabinets.	$100,000	Loan	9/2/92
Panhandle Telephone Cooperative, Inc. OK 530 Project: Construct a hog processing facility.	$100,000	Loan	9/29/92
Canadian Valley Telephone Company OK 558 Project: Develop and upgrade a community recreational park for tourism business.	$40,000	Loan	9/29/92
Blachly–Lane County Coop. Electric Association OR 2 Project: Construct a wood pellet manufacturing plant in Junction City, Oregon.	$100,000	Loan	9/2/92
Warren Electric Cooperative, Inc. PA 19 Project: Construct a municipal waste recycling processing plant.	$100,000	Loan	12/23/91
Butte Electric Cooperative, Inc. SD 15 Project: Construct a fire station for the Spearfish Fire Department.	$75,000	Loan	1/28/93
Bon Homme–Yankton Electric Association, Inc. SD 27 Project: Expansion of engineering and manufacturing firm.	$100,000	Loan	4/30/92
East River Electric Power Cooperative, Inc. SD 43 Project: Provide additional financing to a revolving loan fund.	$100,000	Loan	7/16/92
Interstate Telecommunications Cooperative, Inc. SD 538 Project: Purchase two buildings and fixtures to reopen the Hendricks Hardware Store in Hendricks, MN.	$45,000	Loan	12/17/92
Tri–County Electric Membership Corporation TN 9 Project: Construct a new facility for a textile manufacturer.(Park Avenue Fabric)	$100,000	Loan	12/23/91
Tri–County Electric Membership Corporation TN 9 Project: Construct a building addition for expansion of an apparel business.(Jo Nez)	$70,000	Loan	12/23/91
Tri–County Electric Membership Corporation TN 9 Project: Finance the expansion of a basketmaking enterprise.	$82,000	Loan	7/16/92
Southwest Tennessee Electric Membership Corporation TN 16 Project: Construct a speculative industrial building in the Henderson Industrial Park.	$100,000	Loan	3/5/92

Rural Economic Development Loan and Grant Program – Selection Report FYs 92 & 93

04/07/93

Borrower & Designation	Amount	Type	Date Selected
Southwest Tennessee Electric Membership Corporation TN 16 Project: Construct an industrial building for a remanufacturer of automotive air conditioning compressors.	$100,000	Loan	7/16/92
Southwest Tennessee Electric Membership Corporation TN 16 Project: Construct a 10,000 square foot industrial building in the Whiteville Industrial Park.	$100,000	Loan	9/2/92
The Middle Tennessee Electric Membership Corporation TN 19 Project: Purchase new equipment for a tool and die manufacturer	$100,000	Loan	3/5/92
Meriwether Lewis Electric Cooperative TN 32 Project: Purchase equipment for the expansion of the Stetson Boot and Shoe Company, Inc. in Waverly, TN.	$100,000	Loan	2/10/93
Meriwether Lewis Electric Cooperative TN 32 Project: Construct a health care facility for Perry County, TN.	$100,000	Loan	2/10/93
Sequachee Valley Electric Cooperative TN 35 Project: Complete interior of a speculative building in Pelham, TN.	$100,000	Loan	1/28/93
Holston Electric Cooperative, Inc. TN 37 Project: Start-up of manufacturer of aquariums.	$100,000	Loan	4/30/92
Appalachian Electric Cooperative TN 38 Project: Construct a 30,000 square foot industrial building in the Jefferson County Industrial Park.	$100,000	Loan	9/2/92
Appalachian Electric Cooperative TN 38 Project: Construct a 40,000 square foot industrial building in the Jefferson City Industrial Park.	$100,000	Loan	9/29/92
Caney Fork Electric Coop., Inc. TN 46 Project: Purchase a plastic injection molding machine and auxiliary equipment for a plastics manufacturing firm.	$100,000	Loan	3/5/92
Caney Fork Electric Coop., Inc. TN 46 Project: Finance the purchase of equipment and construction of a mill building for a wood pallet and crate manufacturing firm.	$25,000	Loan	9/2/92
Caney Fork Electric Coop., Inc. TN 46 Project: Expansion of a manufacturing facility for Smithville Tool and Die, Inc. in Smithville, TN.	$100,000	Loan	12/17/92
Midwest Electric Cooperative, Inc. TX 83 Project: Construct a manufacturing building for a producer of cottonseed delinting equipment.	$100,000	Loan	7/16/92
Emery County Farmers Union Telephone Assoc., Inc. UT 501 Project: Start-up of an image based data entry business.	$100,000	Loan	5/20/92
Taylor County Electric Cooperative WI 21 Project: Purchase a new glue press machine for Parrett Manufacturing, Inc. in Holton, WI.	$75,000	Loan	1/28/93
Vernon Electric Cooperative WI 41 Project: Start-up of a recycling center.	$100,000	Loan	4/30/92
Dunn County Electric Cooperative WI 49 Project: Expand American Structures, Inc., a silo business located in Menomonie, WI.	$76,000	Loan	1/28/93
Bayfield Electric Cooperative, Inc. WI 63 Project: Construct a building that will contain a town hall/community center/garage in the town of Russell.	$100,000	Loan	9/29/92
Chequamegon Telephone Cooperative, Inc. WI 513 Project: Construct a new fire hall for the Town of Brule.	$100,000	Loan	9/2/92

Rural Economic Development Loan and Grant Program – Selection Report FYs 92 & 93

04/07/93

Borrower & Designation	Amount	Type	Date Selected
Chequamegon Telephone Cooperative, Inc. WI 513 Project: Purchase a road grader.	$83,000	Loan	9/29/92
Chequamegon Telephone Cooperative, Inc. WI 513 Project: Construct a town hall/garage in the town of White River.	$100,000	Loan	9/29/92
Citizens Telephone Cooperative, Inc. WI 519 Project: Construct a town hall/community center with a three bay garage for the Township of Sampson.	$100,000	Loan	9/2/92
Citizens Telephone Cooperative, Inc. WI 519 Project: Finance the purchase of a new water tanker truck for the New Auburn Fire Department, Inc.	$50,000	Loan	9/2/92
Luck Telephone Company WI 540 Project: Purchase the building occupied by the Luck Medical Clinic.	$100,000	Loan	9/29/92
LaValle Telephone Cooperative WI 568 Project: Installation of water and sewer connection lines extending from the owner's property line to businesses.	$100,000	Loan	7/27/92
Chibardun Telephone Cooperative, Inc. WI 574 Project: Finance the purchase of a Challenger 1250 fire truck for the Cameron Area Fire District.	$100,000	Loan	9/2/92
Baldwin Telecom, Inc. WI 580 Project: Construct a speculative industrial building for the Baldwin Industrial Park.	$100,000	Loan	9/29/92

Mr. DURBIN. If I calculate correctly, it is $4,000 a job. That is not bad.

For the record, would you please provide us a table showing the annual numbers of loans made by the Rural Economic Development Loan and Grant Program and what the approximate amount of private sector capital was leveraged against that?

Mr. HUFF. The annual number of loans made in Fiscal Year 1989 through Fiscal Year 1992 by the Rural Economic Development Loan and Grant Program and the amount of leveraged capital will be provided for the record.

[The information follows:]

RURAL DEVELOPMENT LOAN APPROVALS BY FISCAL YEAR

Fiscal Year	ELECTRIC Loan Amount	ELECTRIC Number	TELEPHONE Loan Amount	TELEPHONE Number	TOTAL Loan Amount	TOTAL Number
1989	$1,555,000	20	$ 315,000	4	$ 1,870,000	24
1990	4,728,000	53	1,990,000	25	6,718,000	78
1991	7,155,500	78	2,968,100	37	10,123,600	115
1992	5,344,500	58	3,061,500	38	8,406,000	96
1993	4,826,000	29	871,000	9	5,697,000	38
Total	$23,609,000	238	$9,205,600	113	$32,814,600	351

Rural Economic Development Loans

State	Loans Approved	Dollars Approved	Proj. No Jobs Created	Projected Total $ Leveraged
AK	1	$100,000	15	$55,000
AL	7	700,000	230	1,936,500
AR	4	400,000	5	495,300
AZ	0	0	0	0
CA	1	100,000	35	500,000
CO	3	300,000	0	457,800
CT	0	0	0	0
DE	0	0	0	0
FL	1	100,000	0	0
GA	1	100,000	0	0
HI	0	0	0	0
IA	29	2,489,500	498	6,586,617
ID	2	200,000	7	59,825
IL	7	895,000	439	19,469,150
IN	7	820,000	295	5,545,110
KS	2	150,000	4	110,000
KY	9	855,000	189	5,569,405
LA	5	463,800	31	2,071,310
MA	0	0	0	0
MD	0	0	0	0
ME	1	100,000	10	111,428
MI	9	723,400	242	8,834,720
MN	45	3,845,500	507	9,052,423
MO	10	1,121,500	73	5,216,750
MS	13	1,675,000	510	3,042,650
MT	17	1,182,500	115	10,198,844
NC	9	825,000	288	3,735,289
ND	28	2,584,000	839	53,143,682
NE	2	290,000	32	623,269
NH	0	0	0	0
NJ	0	0	0	0
NM	4	345,000	86	558,130
NV	1	50,000	0	0
NY	1	50,000	2	18,000
OH	7	686,600	34	680,400
OK	13	1,160,000	962	59,025,043
OR	4	310,000	61	3,877,081
PA	9	816,200	86	3,801,590
RI	0	0	0	0
SC	4	395,000	250	5,580,000
SD	15	1,670,000	261	5,491,570
TN	42	3,842,000	1,282	9,514,440
TX	5	350,000	61	229,001
UT	2	200,000	72	300,000
VA	2	500,000	0	150,000
VT	1	100,000	25	315,561
WA	0	0	0	0
WI	26	2,249,600	227	4,392,575
WV	0	0	0	0
WY	2	70,000	7	683,000
Total	351	$32,814,600	7,780	$231,431,463

RURAL ECONOMIC DEVELOPMENT LOAN ACTIVITY

Mr. DURBIN. You have limited the Rural Economic Development loans to $100,000 through regulation. Have you had any requests to exceed that amount?

Mr. HUFF. The regulation governing REA's Rural Economic Development loans was amended in October 1992 to increase the maximum amount of an application to $400,000. In Fiscal Year 1993, REA has already made two $400,000 loans, and eight requests for loans at the maximum level are being considered for approval.

Mr. DURBIN. How many loans did you make in 1992 that were at the cap of $100,000?

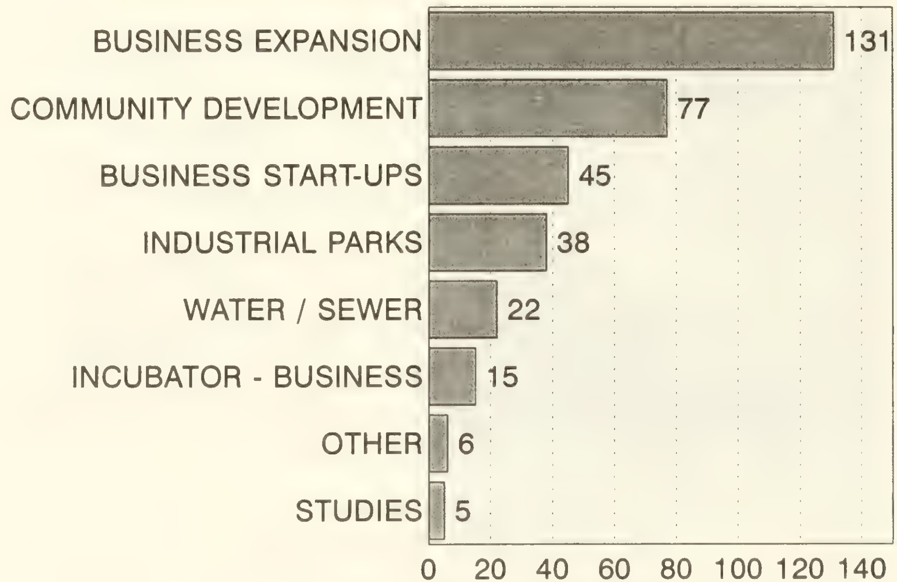
Mr. HUFF. REA selected 69 loans in Fiscal Year 1992 that were at the cap of $100,000.

Mr. DURBIN. For the record, please provide a chart showing the purpose of the Rural Economic Development loans.

Mr. HUFF. The purpose of Rural Economic Development loans will be supplied for the record:

[The information follows:]

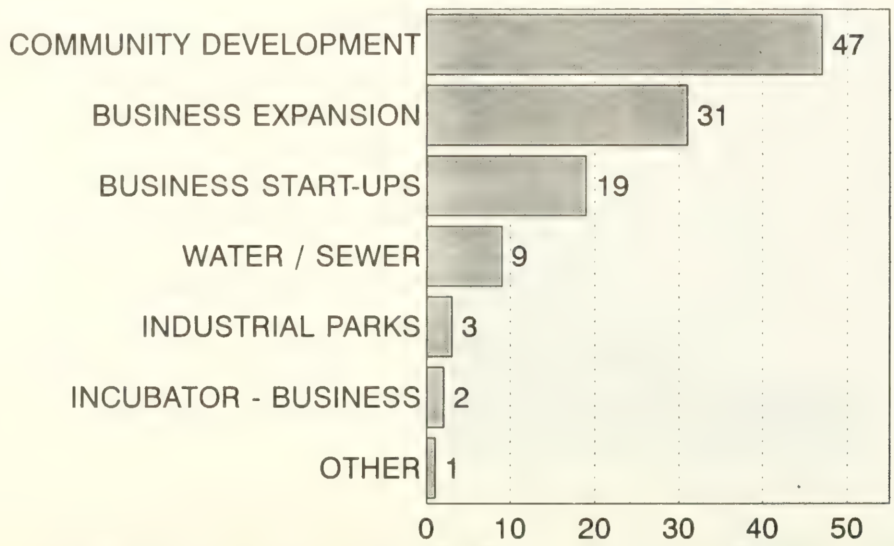
Rural Development Loans



Cumulative Loans as of April 1993

Rural Development Loans

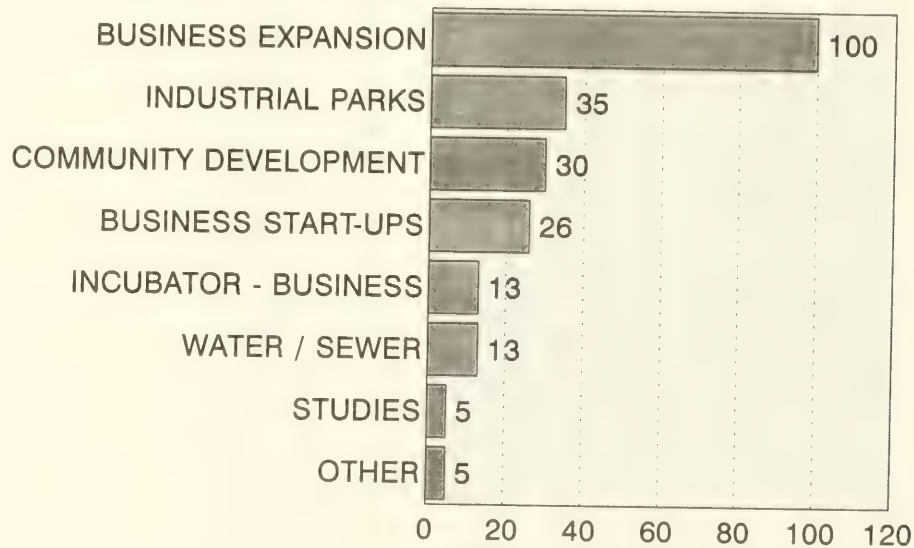
Telephone Borrowers



Cumulative Loans as of April 1993

Rural Development Loans

Electric Borrowers



Cumulative Loans as of April 1993

Mr. PETERSON. Mr. Chairman, the question I would have is: How long has this program been in place?

Mr. HUFF. Since 1989.

Mr. STOCKTON. April of 1989 we made our first loan.

Mr. PETERSON. Doesn't it parallel RDA?

And why wouldn't RDA have the responsibility?

Mr. STOCKTON. The program was made a part of the REA statute in 1987. We can only make Rural Devleopment loans through existing REA borrowers. That is the history of the program from inception. The authority was given to REA and that is why we administer it. And the only organizations that can get a loan from us, is an existing REA borrower.

Ninety percent of the time they turn around and reloan that at 0 percent to a third party.

The $30 million of Federal money has generated an additional $228 million of outside financing to be leveraged with these projects.

Mr. DURBIN. What is the default rate on this?

Mr. STOCKTON. We have not lost anything. We make the loan to the REA borrower; they are responsible for paying us back no matter what happens with the project. There has been one failure out of the 300-plus loans.

Mr. DURBIN. Okay. I think those are all the questions I have.

Mr. Skeen?

Mr. SKEEN. No more.

Mr. DURBIN. Thank you for joining us. And we will be working with you when we get the budget figures from the Administration. We will be back in touch with you. Thank you.

Mr. HUFF. Thank you, Mr. Chairman.

RURAL ELECTRIFICATION ADMINISTRATION
STATEMENT OF JAMES B. HUFF, SR., ADMINISTRATOR
BEFORE THE HOUSE SUBCOMMITTEE ON AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES

Mr. Chairman and members of the committee, it is a pleasure for me to be here to discuss the Rural Electrification Administration (REA) mission and our current work. I have a short statement to present and then I will be pleased to answer any questions.

In testifying today, I want to emphasize at the outset that the Administration is currently formulating the President's FY 1994 Budget. Accordingly, I am not in a position to provide you with the Administration's position on funding for specific programs or activities. As soon as the President's FY 1994 Budget is released, I would be pleased to provide you with the Department's views.

REA has played a major role as the financial catalyst in providing loans for electric and telephone service throughout rural America. Today, nearly all rural areas have reliable electric and telephone service. Many rural electric and telephone borrowers are financially successful and stable. Rural America is changing, and REA is also changing.

In the past year, the Agency has started the process of modernizing and streamlining service to borrowers. An agency task force has been organized to process ideas and solve problems that in the past have hampered our ability to efficiently deliver program services. In August, all REA employees were asked for suggestions on improving program delivery. Since then the task force has been working with these ideas to implement them.

Secretary Espy and I agree that if a government agency isn't first and foremost service oriented, it isn't doing its job. When I started at REA, the programs had begun the process of identifying problem areas and developing recommendations to improve procedures and rules which will enable staff to deliver services more efficiently. Agency staff is working with the trade associations, lenders and other interested parties in an effort to increase the agency's responsiveness.

In a parallel effort, REA has published a proposed regulation on lien accommodations under the current mortgage. This regulation updates and streamlines our procedures and requirements and will assist many borrowers in the process of obtaining a lien accommodation.

The Agency is working toward becoming "user friendly" to its borrowers. REA has been working to develop one or more standard mortgage forms to meet the needs of the Agency as well as those of the distribution and power supply borrowers. We expect the new mortgage forms to incorporate up-to-date provisions and a modern structure, and to provide greater freedom of action for borrowers that meet certain

financial requirements. The Agency anticipates that the new mortgage forms will enable financially healthy borrowers to manage their operations with less day-to-day oversight from REA. It will also assist those borrowers who wish to obtain secured financing from other lenders.

REA recently entered into an information systems project with an outside contractor. Numerous interviews and workshops were conducted with agency management, staff and users of agency information. Several goals were identified. The first was responsive program services. Also identified were improved information systems, staff expertise and stakeholder communications. The Agency's goals, strategies and problems were used to identify high priority applications that should be implemented over the next five years. Information technologies for supporting the users and developers of these applications were also identified. The applications and technologies were distributed to various options for implementing the Agency's future information system infrastructure. As a result of this effort, REA now has an implementation plan which identifies and prioritizes for development a number of automated information system projects over a five-year period.

REA is continuing to process the repricing of Federal Financing Bank (FFB) borrowers' high-interest loans. Many of the Generation and Transmission (G&T) borrowers obtained FFB financing in the late '70s and early '80s when interest rates were very high. The term of the notes allow G&T borrowers to prepay FFB after 12 years by paying a

premium of one year's interest at the note's interest rate. This significantly reduces the interest rate to the borrower on the unpaid loan balance. Almost $900 million of FFB loans have been repriced, resulting in millions of dollars in interest savings for rural electric systems and their consumers.

In addition to the traditional electric and telephone programs, REA is administering a Rural Economic Development Program. The Agency has successfully implemented this program because our borrower network is intricately connected to rural America. These borrowers clearly see the day-to-day needs in the communities around them. They know what the community is lacking because they live and work within the communities and among their institutions. Because we maintain close contact with our borrowers through our field staff, REA is aware of the needs in rural communities as well.

I would also like to mention the Distance Learning and Medical Link Grant Program. It was created to help rural communities take advantage of educational and health services through advanced telecommunications and technology. For example, this program will allow a small rural hospital to communicate with large urban medical centers, providing rural communities access to the latest diagnostics. These are the types of services that are needed and will enable rural residents access to health care services while maintaining reasonable costs. The final rule for this new program was published in late February. Educational and health services facilities in rural areas

will now be able to apply for $10 million in grant funds that are available this fiscal year.

I would like to summarize for you the current status of the FY 1993 loan and grant funds. In the electric program, direct loan authority for Fiscal Year 1993 is $625,035,000. We will obligate all the loan funds available for this program. In the direct FFB program, there is $813,450,000 available. No new direct FFB loans have been made so far this fiscal year. It is anticipated that demand for new FFB direct loans this fiscal year will be approximately $200 million. With the remaining authority, we will continue with FFB repricings and expect to use the full $813 million that is available.

The telephone program makes loan funds available through the Rural Telephone Bank (RTB), The REA direct loan program and the Federal Financing Bank (FFB). All of the available RTB Funds for Fiscal Year 1993 will be utilized. There is $239,250,000 available in direct loan funds this fiscal year. One new FFB loan has been made to date; however, we are advising our borrowers of the availability of the $119,625,000 and expect to make additional loans from this authorization during 1993. One FFB telephone loan has been repriced.

The Rural Economic Development Loan and Grant Program has $12,389,000 available in loan funds and $14,098,000 in grant funds. The newly established Distance Learning and Medical Link Grant Program, which I mentioned earlier, has $5,000,000 available for this fiscal year and $5,000,000 available from FY 1992 funds.

REA'S most important resource is its employees and we must continue to use their talents wisely. Without the knowledge, skills and dedication of the REA staff and the borrowers, we would not have achieved the notable success associated with this program.

The 413 headquarters personnel, located in Washington, D.C., consult with borrowers on a regular basis, monitor financial conditions, process electric, telephone, and rural development loans and grants, and draft regulations that establish loan and grant procedures for borrowers. Our 110 field personnel work with the borrowers and the community and are our direct link to rural America. These highly mobile field representatives work out of their homes, driving to the borrower's location to provide service.

Many of the projects we have underway are making great progress. There are many challenges that still lie ahead. The REA Program is continued in the Administration's budget proposal. The goal is to reduce the cost of the program while maintaining service to rural America. Our management skills will be called upon to make the best possible use of the available funds. I am confident that REA will respond to the challenge.

Life in rural America has changed quite a bit over the last 50 Years. It has certainly become more complicated. We cannot afford to do business as usual. We must prioritize our needs and refocus our

efforts. I look forward to working with the Committee to implement the President's proposals.

This concludes my statement. I will be glad to answer any questions you or the Committee may have.

BIOGRAPHICAL SKETCH

OF

LARRY A. BELLUZZO

PROGRAM ADVISOR

Larry A. Belluzzo was appointed Program Advisor in November 1992. In this capacity, he advises the Administrator on matters relating to overall Agency financing and lending policies, and serves as the Agency official responsible for directing and conducting workout and debt restructuring activities for troubled borrowers.

Prior to his current assignment, Mr. Belluzzo served as Director of the Electric Program's Northwest Area, Northeast Area, and Northern Region, and was appointed Deputy Assistant Administrator - Electric in January 1992.

Mr. Belluzzo, a Minnesota native, began his Federal career in 1972 as a personnel specialist in the former U. S. Civil Service Commission (CSC) in Fort Snelling, Minnesota. Following numerous CSC assignments in Milwaukee, Wisconsin and Washington, DC, he joined the U. S. Department of Agriculture (USDA) in 1981. He was the Chief of REA's Program Analysis Staff from 1983 to 1984, and received the USDA Superior Service Award in 1991.

Mr. Belluzzo holds a Bachelor's Degree in Government from Dartmouth College. With his wife and two children, he currently resides in Herndon, Virginia.

RURAL ELECTRIFICATION ADMINISTRATION

Purpose Statement

The Rural Electrification Administration (REA) was established by Executive Order 7037 on May 11, 1935, to provide loan funds to eligible borrowers for the purpose of extending central station electric service to unserved persons in rural areas. Statutory provision for the agency was made in the Rural Electrification (RE) Act of May 20, 1936; and on July 1, 1939, under Reorganization Plan II, REA became a part of the Department of Agriculture. On October 28, 1949, the purpose of REA was expanded by Public Law 423, which amended the Act to authorize loans for furnishing telephone service to rural areas.

Rural Electrification and Telephone Program

Public Law 93-32, enacted May 11, 1973, amended the Rural Electrification Act of 1936, as amended, by establishing a "Rural Electrification and Telephone Revolving Fund" (RETRF) for the purpose of making insured loans to REA electric and telephone borrowers. Loans made under this authority bear either 2 or 5 percent interest in accordance with criteria specified in the Act, and have a maturity not to exceed 35 years. The Act also authorized REA to guarantee loans made by other lenders at rates and terms agreed upon between the lender and the borrower. The Rural Electrification and Telephone Revolving Fund legislation contains the following statement of Congressional intent regarding the REA programs:

> ". . . it is hereby declared to be the policy of the Congress that adequate funds should be made available to rural electric and telephone systems through direct, insured and guaranteed loans at interest rates which will allow them to achieve the objectives of the Rural Electrification Act of 1936, as amended; and that such rural electric and telephone systems should be encouraged and assisted to develop their resources and ability to achieve the financial strength needed to enable them to satisfy their credit needs from their own financial organizations and other sources at reasonable rates and terms consistent with the loan applicant's ability to pay and achievement of the Act's objectives."

In October 1976, Public Law 94-570 amended the Act, changing the statutory criteria used in determining eligibility for the special interest rate (2 percent) insured loans. The change in criteria corrected unintended inequities resulting from P.L. 93-32, to bring the number of borrowers eligible for the special rate more in line with Congressional intent and the borrowers' actual needs for loan funds at this rate.

On August 13, 1981, the Omnibus Budget Reconciliation Act, Public Law 97-35, was signed into law to further amend the RE Act. This legislation changed the Act by eliminating the special 2 percent interest rate on insured loans from the RETRF. However, it did provide that the Administrator may make insured loans at a rate less than 5 percent, but not less than 2 percent, if the borrower has experienced extreme financial hardship, or cannot provide service consistent with the objectives of the Act without charging rates so high that a substantial disparity results between such rates and those charged for similar services in the same or nearby areas by other suppliers.

As of September 30, 1992, REA employed a total of 519 full-time permanent employees, 1 part-time permanent employee, and 2 other employees. The field staff consisted of 109 permanent full-time employees located throughout the United States. These employees utilize their homes as their offices. REA maintains no field offices. The Washington staff was composed of 410 full-time permanent, 1 part-time permanent employee and 2 other employees.

Rural Telephone Bank

Public Law 92-12, approved May 7, 1971, amended the Rural Electrification Act of 1936, as amended, to establish the Rural Telephone Bank as a supplemental source of financing for the growing capital needs of rural telephone systems. Public Law 92-324, approved June 30, 1972, further amended the Act to permit the Secretary of the Treasury to purchase the Bank's debentures.

Public Law 93-32 made additional amendments to the Act and provided for Bank borrowing authority of 20 times its paid-in capital and retained earnings. It also required that the Bank charge a single interest rate, based on the average cost of money to the Bank, but not less than 5 percent per annum. Bank loans must be fully amortized over a period not to exceed 50 years. Most loans have been made for a 35-year period.

Public Law 100-203, approved December 22, 1987, authorized the prepayment of Rural Telephone Bank loans at face value without a prepayment premium during fiscal year 1988. The legislation also established a formula for determining interest rates on Rural Telephone Bank loans, defined the interest rate to be considered for purposes of assessing eligibility for loans, and established in the Bank a reserve for losses due to interest rate fluctuations.

The Rural Telephone Bank is managed by a 13-member board of directors. The Bank board holds at least four regularly scheduled meetings a year. Activities of the Bank are carried out by REA and the Office of the General Counsel employees.

Through fiscal year 1991, $592.1 million in Bank capitalization had been made available through the purchase by the United States of the Rural Telephone Bank's Class A Stock. The RE Act had originally set the maximum Government contribution at $300 million. The Farm Bill of 1981 amended the RE Act to permit continued Class A Stock purchases in annual amounts not to exceed $30 million through fiscal year 1991, with total purchases not to exceed $600 million. This completes the capitalization of the Rural Telephone Bank under current law.

Rural Economic Development

On December 21, 1987, the Omnibus Budget Reconciliation Act of 1987, Public Law 100-203, amended the Act to establish a Cushion of Credit Payment Program whereby borrowers are authorized to make voluntary advance payments on their loans and receive 5 percent interest on those advance payments. This amendment provided that a Rural Economic Development Subaccount be maintained in the Rural Electrification and Telephone Revolving Fund. This subaccount is credited monthly with a sum determined by multiplying the outstanding cushion of credit payments made after October 1, 1987, by the difference between the average weighted interest rate paid on outstanding Certificates of Beneficial Ownership issued by the Fund and the 5 percent rate of interest provided to borrowers on cushion of credit payments. The Administrator is authorized to utilize the funds in the subaccount to make zero-interest loans and grants to borrowers for the purpose of promoting rural economic development and job creation projects.

Public Law 101-624, the Food, Agriculture, Conservation, and Trade Act of 1990, enacted November 28, 1990, further amended the Act. Title XXIII, the Rural Economic Development Act of 1990, authorized several new programs subject to limitations in Appropriations Acts. They are as follows:

- -- Distance Learning and Medical Link Grants. This program is to provide rural communities access to advanced telecommunications services, computer networks, and improved rural opportunities.

-- The Rural Business Incubator Fund. This fund shall be used to make grants and reduced interest loans to electric and telephone borrowers or other nonprofit entities to promote business incubator programs or for the creation or operation of business incubators in rural areas. The interest rate on these loans shall not exceed 5 percent.

-- Financing to local businesses, community development assistance, technical assistance to businesses, and for other community business or economic development projects provided by deferment of payments on direct loans. A borrower may defer REA scheduled debt service payments equal to the amount of investment in economic development projects. Borrowers who provide financing can repay the deferred amounts in 60 or 120 equal monthly installments.

In addition, the REA Administrator shall promote rural economic development by providing rural communities with the necessary guidance, technical advice and information to plan and carry out rural development projects. Information on financial assistance from both Federal and non-federal sources will be dispensed to enable borrowers to expand their rural development efforts. Borrowers will also be made aware of successful rural development endeavors to encourage their application in similar operations throughout the country.

Rural Communication Development Fund

The Rural Development Insurance Fund (RDIF) was established on October 1, 1972, pursuant to section 116 of the Rural Development Act of 1972 (Public Law 92-419) approved August 30, 1972. The Rural Communication Development Fund (RCDF), a separate account of the RDIF, was established pursuant to Secretary's Memorandum No. 1988 approved May 22, 1979. This action transferred certain financing authorities under the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) from the Farmers Home Administration (FmHA) to the Rural Electrification Administration for the purpose of financing the construction of community antenna television services or facilities in rural areas. The RCDF was set up to insure or guarantee loans for community antenna television services or facilities to both cooperatives and commercial borrowers. The program was authorized to utilize the Community Facility authority and the Business and Industrial authorities of the Rural Development Act of 1972.

During fiscal years 1979 and 1980, loan guarantees and administrative costs were funded from amounts authorized for or originally appropriated to FmHA. Since fiscal year 1980, all applicable administrative costs have been provided for in the REA Salaries and Expenses appropriation. Loan authority made available is provided for separately under the Rural Communication Development Fund.

In 1981, it was determined that sufficient capital was available from private investors and that the activity could be more appropriately financed by the private sector. REA continues to administer the existing program by making advances on previous loans and performing debt servicing. The last loan approved or guaranteed under this authority was in fiscal year 1981.

RURAL ELECTRIFICATION ADMINISTRATION
Available Funds and Staff–Years
1992 Actual and Estimated 1993 and 1994

Item	1992 Actual		1993 Estimated		1994 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Loan Authorizations:						
Rural Electrification:						
Direct, REA	$622,050,000	--	$625,035,000	--	$25,000,000	--
Direct, Treasury Rate	--	--	--	--	600,035,000	--
Direct, FFB	785,392,009	--	813,450,000	--	300,450,000	--
Direct, FFB Repriced	(602,586,009)	--	(563,450,000)	--	513,000,000	--
Subtotal, Direct FFB	785,392,009	--	813,450,000	--	813,450,000	--
Total, Electric Loans	1,407,442,009	--	1,438,485,000	--	1,438,485,000	--
Rural Telephone:						
Direct, REA	204,480,000	--	239,250,000	--	--	--
Investment Proposal	--	--	--	--	25,000,000	--
Direct, Treasury Rate	--	--	--	--	239,250,000	--
Direct, FFB	35,248,000	--	119,625,000	--	119,625,000	--
Total, Telephone Loans	239,728,000	--	358,875,000	--	383,875,000	--
Rural Telephone Bank:						
Direct Loans	177,023,700	--	177,045,000	--	--	--
Direct Loans, Treasury Rate	--	--	--	--	177,045,000	--
Investment Proposal	--	--	--	--	25,000,000	--
Total, RTB Loans	177,023,700	--	177,045,000	--	202,045,000	--
Rural Economic Development Loans	8,406,000	--	12,389,000	--	13,025,000	--
Unobligated Funds, Lapsing	147,226,291	--	--	--	--	--
Total, Appropriated Funds	1,979,826,000	--	1,986,794,000	--	2,037,430,000	--
Loan Subsidies:						
Rural Electrification:						
Direct, REA	$117,069,680	--	$117,319,000	--	4,080,000	--
Direct, Treasury Rate	--	--	--	--	540,000	--
Direct, FFB	14,137,056	--	35,304,000	--	--	--
Direct, FFB Repriced	(10,847,056)	--	(24,454,000)	--	--	--
Rural Telephone:						
Direct, REA	34,434,432	--	43,950,000	--	--	--
Investment Proposal	--	--	--	--	3,223,000	--
Direct, Treasury Rate	--	--	--	--	48,000	--
Direct, FFB	--	--	84,000	--	--	--

Amounts in parenthesis are non–add.

RURAL ELECTRIFICATION ADMINISTRATION
Available Funds and Staff-Years
1992 Actual and Estimated 1993 and 1994

Item	1992 Actual		1993 Estimated		1994 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Rural Telephone Bank:						
Direct	3,628,986	--	35,000	--	--	--
Direct, Treasury Rate	--	--	--	--	35,409	--
Investment Proposal	--	--	--	--	5,000	--
Rural Economic Development Loans:	2,544,334	--	3,423,000	--	3,423,000	--
Unobligated Funds, Lapsing	6,121,512	--	--	--	--	--
Total Appropriated Funds	177,936,000	--	200,115,000	--	11,354,409	--
Salaries and Expenses:						
RETL	26,953,772	390	29,163,000	400	29,811,000	400
RTB	8,051,127	116	8,632,000	120	8,905,000	120
Office of Administrator	124,692	3	243,000	3	--	--
Total, Salaries & Exp	35,129,591	509	38,038,000	523	38,716,000	520
Unobligated Funds, Lapsing	2,908,409	--	--	--	--	--
Total Appropriated Funds	38,038,000	509	38,038,000	523	38,716,000	520
Grants:						
Distance Learning and Medical Link 1/	5,000,000	--	5,000,000	--	5,135,000	--
Rural Economic Development 2/	--	--	14,098,000	--	5,400,000	--
Appropriated Funds	220,974,000	509	243,153,000	523	55,205,409	520
Non-Appropriated Funds	--	--	14,098,000	--	5,400,000	--
Total Available Funds	220,974,000	509	257,251,000	523	60,605,409	520

1/ FY 1993 excludes $5 million in available carryover from 1992.

2/ Funds are generated by the interest differential on voluntary cushion of credit payments made by REA borrowers.

PROJECT STATEMENT
(On basis of 1993 loan levels and subsidies supportable under 1993 Appropriations Act)

	1993 Appropriated		Increase or Decrease		1993 Current Estimate	
	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy
Rural Electrification and Telephone Loans:						
Electric:						
Direct, REA	$625,035,000	$117,319,000	--	--	$625,035,000	$117,319,000
Direct, FFB	813,450,000	35,304,000	(7,423,000)	--	806,027,000	35,304,000
Total, Electric Loans	1,438,485,000	152,623,000	(7,423,000)	--	1,431,062,000	152,623,000
Telephone:						
Direct, REA	239,250,000	43,950,000	--	--	239,250,000	43,950,000
Direct, FFB	119,625,000	84,000	(14,625,000)	--	105,000,000	84,000
Total, Telephone Loans	358,875,000	44,034,000	(14,625,000)	--	344,250,000	44,034,000
Rural Telephone Bank:						
Direct Loans	177,045,000	35,000	(2,045,000)	--	175,000,000	35,000
Rural Economic Development Loans	12,389,000	3,423,000	--	--	12,389,000	3,423,000
Total, REA Loans	1,986,794,000	200,115,000	(24,093,000)	--	1,962,701,000	200,115,000

RURAL ELECTRIFICATION ADMINISTRATION

Permanent Positions by Grade and Staff-Year Summary

1992 Actual and Estimated 1993 and 1994

Grade	1992 Head-quarters	1992 Field	1992 Total	1993 Head-quarters	1993 Field	1993 Total	1994 Head-quarters	1994 Field	1994 Total
Executive Level V	1	--	1	1	--	1	1	--	1
ES-5	1	--	1	1	--	1	1	--	1
ES-4	1	--	1	1	--	1	1	--	1
ES-3	2	--	2	2	--	2	2	--	2
ES-1	2	--	2	2	--	2	2	--	2
SL-100	1	--	1	1	--	1	1	--	1
GS/GM-15	12	--	12	12	--	12	11	--	11
GS/GM-14	53	--	53	53	--	53	53	--	53
GS/GM-13	83	99	182	83	102	185	83	102	185
GS-12	74	5	79	73	6	79	73	7	80
GS-11	22	2	24	21	2	23	21	3	24
GS-10	--	--	--	--	--	--	--	--	--
GS-9	28	--	28	28	3	31	28	1	29
GS-8	8	--	8	8	--	8	8	--	8
GS-7	47	3	50	49	--	49	47	--	47
GS-6	38	--	38	38	--	38	38	--	38
GS-5	17	--	17	17	--	17	17	--	17
GS-4	13	--	13	13	--	13	13	--	13
GS-3	5	--	5	5	--	5	5	--	5
GS-2	2	--	2	2	--	2	2	--	2
GS-1	--	--	--	--	--	--	--	--	--
Total Permanent Positions.............	410	109	519	410	113	523	407	113	520
Staff-Year Ceiling	400	109	509	410	113	523	407	113	520

RURAL ELECTRIFICATION ADMINISTRATION

Classification by Objects

1992 Actual and Estimated 1993 and 1994

		1992	1993	1994
11	Personnel Compensation:			
	Headquarters	$17,834,691	$19,153,133	$19,547,100
	Field	6,065,135	6,517,867	6,651,900
	Total, Personnel Compensation	23,899,826	25,671,000	26,199,000
12	Personnel Benefits	4,323,472	4,837,000	5,057,000
13	Benefits to Former Personnel	4,932	15,000	15,000
	Total, Personnel Compensation and Benefits	28,228,230	30,523,000	31,271,000
	Other Objects:			
21	Travel	1,868,561	1,940,000	1,940,000
22	Transportation of Things	61,454	90,000	90,000
23	Communications, Utilities and Other Rent	967,694	1,013,000	1,003,000
24	Printing and Reproduction	251,237	375,000	365,000
25	Other Services	2,113,564	2,524,000	2,474,000
26	Supplies and Materials	548,450	460,000	460,000
31	Equipment	1,083,044	1,113,000	1,113,000
33	Investments and Loans	1,832,599,709	2,112,789,000	2,077,716,000
41	Grants and Subsidies	171,814,488	247,733,000	21,889,409
42	Insurance Claims	7,074	0	0
43	Interest and Dividends	2,469,911,518	2,364,898,000	2,335,391,000
	Total, Other Objects	4,481,226,793	4,732,935,000	4,442,441,409
	Total, Obligations	4,509,455,023	4,763,458,000	4,473,712,409

Position Data:

	1992	1993	1994
Average Salary, ES positions	$97,788	$100,134	$100,134
Average Salary, GS/GM positions	$45,240	$48,291	$49,605
Average Grade, GS/GM positions	10.86	10.87	10.89

RURAL ELECTRIFICATION ADMINISTRATION

The estimates include appropriation language for this item as follows (deleted matter enclosed in brackets; new material underscored):

Rural Electrification and Telephone Loans Program Account

Insured loans pursuant to the authority of section 305 of the Rural Electrification Act of 1936, as amended (7 U.S.C. 935), shall be made as
1 follows: [rural electrification loans,] not [less than $625,035,000 nor] more than $864,285,000 [$933,075,000; and rural telephone loans, not less than $239,250,000 nor more than $311,025,000; to remain available until expended]: Provided, That loans made pursuant to section 306 of that Act are in addition
2 to these amounts but during fiscal year [1993] 1994 total commitments to
3 guarantee loans pursuant to section 306 shall be not more [less] than
4 $933,075,000 [nor more than $2,100,615,000] of contingent liability for total loan principal: Provided further, That insured loans shall bear interest at a rate, which may be fixed or adjusted from time to time, equal to the cost of funds to the Department of Treasury for obligations with a maturity not to exceed the maturity of the loan, except in the Administrator's discretion, loans totalling not more than $25,000,000 and bearing interest at the rate of 5 per centum per annum may be made pursuant to section 305. Notwithstanding any other provision of the Rural Electrification Act of 1936, as amended, borrowers receiving a loan under section 306 of the Act shall be charged an
5 origination fee in an amount calculated by the Administrator to recover the subsidy cost associated with the loan. [as a condition of approval of insured electric loans during fiscal year 1993, borrowers shall obtain concurrent supplemental financing in accordance with the applicable criteria and ratios in effect as of July 15, 1982: Provided further, That no funds appropriated in this Act may be used to implement any other criteria, ratio, or test to deny or reduce loans or loan advances.]

For the cost, as defined in section 502 of the Congressional Budget Act of 1974, including the cost of modifying loans, of direct and guaranteed loans authorized by the Rural Electrification Act of 1936, as amended (7 U.S.C. 935), as follows: cost of direct loans, [$161,269,000; cost of loans guaranteed pursuant to section 306, $35,388,000.] $4,668,000: Provided, That such sums are to remain available through 2002 for the disbursement of loans obligated in fiscal year 1994.

In addition, for administrative expenses necessary to carry out
7 the direct and guaranteed loan programs, [$29,163,000] $29,811,000.

The first change eliminates the ranges for the REA direct loans and establishes a $864,285,000 program.

The second change updates the fiscal year designation.

The third change eliminates the range for FFB financed loans.

The fourth change (a) allows REA to make section 305 loans at Treasury interest rate, (b) permits the Administrator to make discretionary loans at a 5 percent interest rate, and (c) allows REA to charge an origination fee on section 306 loans.

The fifth change eliminates the condition of loan approval that pertains to applicable criteria and ratios in effect as of July 15, 1982, and removes the provision restricting REA from using appropriated funds to implement any other criteria, ratio, or test to deny or reduce loans or loan advances.

The sixth change updates the subsidy cost for section 305 and 306 loans and provides that funds made available in this account in fiscal years 1994 remain available for disbursement through 2002.

The seventh change updates the funds requested for administrative expenses.

DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION
Rural Electrification and Telephone Loan Program
Loan Authorizations

		Loan Authorization
Electric Loans:		
Direct Loans, REA:		
Appropriation Act, 1993		$625,035,000
Budget Estimate, 1994		25,000,000
Change	−	600,035,000
Direct Loans, Treasury Rate:		
Appropriation Act, 1993		--
Budget Estimate, 1994		600,035,000
Change	+	600,035,000
Direct Loans, FFB: a/		
Appropriation Act, 1993		813,450,000
Budget Estimate, 1994		300,450,000
Change	−	513,000,000
Direct Loans, FFB Repriced: a/		
Appropriation Act, 1993		--
Budget Estimate, 1994		513,000,000
Change	+	513,000,000
Telephone Loans:		
Direct Loans, REA:		
Appropriation Act, 1993		239,250,000
Investment Proposal, 1994		25,000,000
Change	−	214,250,000
Direct Loans, Treasury Rate:		
Appropriation Act, 1993		--
Budget Estimate, 1994		239,250,000
Change	+	239,250,000
Direct Loans, FFB:		
Appropriation Act, 1993		119,625,000
Budget Estimate, 1994		119,625,000
Change		--
Increase from 1993 Appropriation		25,000,000
Total Increase from 1993 Appropriation, RETL		25,000,000

a/ In FY 1994, FFB financed direct electric loans are being divided into two components—new FFB financed direct loans and FFB repriced loans. Repriced loans are being made in FY 1993 at an estimated $563 million from the FFB financial cohort. Total available funds of $813,450,000 for FFB financed loans remain unchanged.

SUMMARY OF INCREASES AND DECREASES
(On basis of loans, subsidies, and administrative expenses)

Item of Change:	1993 Estimated	Changes	1994 Estimated
Loans:			
Direct, Electric	$1,438,485,000	--	$1,438,485,000
Direct, Telephone	358,875,000	+ $25,000,000	383,875,000
Total, RETL Loans	1,797,360,000	+ 25,000,000	1,822,360,000
Loan Subsidies:			
Direct, Electric	152,623,000	- 148,003,000	4,620,000
Direct, Telephone	44,034,000	- 40,763,000	3,271,000
Total, RETL Loans Subsidies	196,657,000	- 188,766,000	7,891,000
Administrative Expenses..........	29,163,000	+ 648,000	29,811,000

PROJECT STATEMENT

(On basis of loans, subsidies, and administrative expenses)

Project	1992 Actual		1993 Estimated		Increase or Decrease		1994 Estimated	
	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy
Rural Electrification Loans								
Direct, REA	$622,050,000	$117,069,680	$625,035,000	$117,319,000	($600,035,000) (1)	($113,239,000) (2)	$25,000,000	$4,080,000
Direct, Treasury Rate	--	--	--	--	600,035,000 (3)	540,000 (4)	600,035,000	540,000
Direct, FFB a/....................	785,392,009	14,137,056	813,450,000	35,304,000	(513,000,000) (5)	(35,304,000) (6)	300,450,000	--
Direct, FFB Repriced a/....	(602,586,009)	(10,847,056)	(563,450,000)	(24,454,000)	513,000,000 (7)	--	513,000,000	--
Subtotal, FFB	785,392,009	14,137,056	813,450,000	35,304,000	--	(35,304,000)	813,450,000	--
Total, Electric	1,407,442,009	131,206,736	1,438,485,000	152,623,000	--	(148,003,000)	1,438,485,000	4,620,000
Rural Telephone Loans								
Direct, REA	204,480,000	34,434,432	239,250,000	43,950,000	(239,250,000) (8)	(43,950,000) (9)	--	--
Direct, Treasury Rate	--	--	--	--	239,250,000 (10)	48,000 (11)	239,250,000	48,000
Direct, FFB	35,248,000	--	119,625,000	84,000	--	(84,000) (12)	119,625,000	--
Total, Telephone	239,728,000	34,434,432	358,875,000	44,034,000	--	(43,986,000)	358,875,000	48,000
Unobligated Balance, Lapsing	147,204,991	6,119,832						
Total, Appropriation	1,794,375,000	171,761,000	1,797,360,000	196,657,000	--	(191,989,000)	1,797,360,000	4,668,000
Investment Proposal							25,000,000	3,223,000
Total, President's Budget							1,822,360,000	7,891,000
Administrative expense ..		29,163,000		29,163,000		648,000 (13)		29,811,000

a/ FFB loans are being divided into two components in FY 1994. Since these loans have different maturity and default assumptions this split is necessary in order to calculate the subsidy cost.

Amounts in parenthesis are non-add.

EXPLANATION OF ELECTRIC AND TELEPHONE LOAN PROGRAM

The loan authorizations of the Rural Electrification Administration are used to carry out the provisions of the Rural Electrification Act of 1936, as amended. The objectives of the program are to provide loans at reasonable interest rates to borrowers that produce and distribute electricity and provide telephone service. REA administers the rural electrification program, which provides loans to borrowers that distribute electricity to farms and other retail users; and the rural telephone program, which furnishes and improves telephone service in rural areas.

As required by Title XIII, section 13201, of the Omnibus Budget Reconciliation Act of 1990, this account records the subsidy costs associated with the direct loan obligations and guaranteed loan commitments of this account in FY 1992 and beyond. Subsidy amounts are obtained by estimating the difference between the Government's cash disbursements and the net present value of the Government's cash inflows resulting from direct and guaranteed loans made through this account.

Electrification Program Statistics
(Dollars in thousands)

	Cumulative Thru FY 1992 Actual	Cumulative Estimates FY 1993	Cumulative Estimates FY 1994
REA financed loans................	$22,621,316	$23,246,351	$23,871,386
REA funds advanced................	21,317,479	21,837,346	22,247,213
REA unadvanced funds, end of year.	1,303,837	1,409,005	1,624,173
REA principal repaid..............	8,756,340	9,168,430	9,590,975
REA interest paid.................	7,978,673	8,508,566	9,056,622
FFB/Treasury rate loans...........	28,526,062	28,768,639	29,069,089
Consumers served-calendar year (thousand-estimated) 1/...	12,878	13,144	13,410
Miles energized-calendar year (thousand-estimated) 1/...	2,231	2,251	2,271
Number of borrowers..............	937	892	875

Telephone Program Statistics
(Dollars in thousands)

	Cumulative Thru FY 1992 Actual	Cumulative Estimates FY 1993	FY 1994
REA financed loans..................	$6,319,395	$6,558,645	$6,797,895
REA funds advanced	5,387,012	5,564,178	5,924,045
REA unadvanced funds, end of year....	932,383	994,467	873,850
REA principal repaid	2,049,842	2,189,452	2,332,408
REA interest paid	1,768,582	1,898,464	2,031,207
FFB financed loans...................	679,852	799,477	919,102
Route miles of line constructed or improved-(thousand-estimated) 2/	946	955	964
Dial subscribers, new and improved service-calendar year (thousands-estimated) 2/.........	5,960	6,085	6,210
Number of borrowers..................	923	910	915

1/ Data represents accomplishments from all sources of funds.
2/ Data represents accomplishments from borrowers financed 20 percent or more by REA, RTB, and guaranteed loans.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A decrease of $600,035,000 in direct electric loans ($625,035,000 available in 1993).

Need for Change. In order to reduce the cost of the REA program, the interest rate charged to borrowers will increase from 5 percent to the Treasury rate. The loan level decrease in direct 5 percent loans will be used to establish a $600 million program of direct loans at Treasury rates. A 5 percent interest rate program of $25,000,000 will be established for borrowers who are financially unable to pay the Treasury interest rate, which is estimated to be 6.68 percent in FY 1994.

Nature of Change. This program level will provide direct electric loans to borrowers who are financially unable to pay the Treasury interest rate. Total available funds of $625,035,000 would remain unchanged.

(2) A decrease of $113,239,000 in direct electric loan subsidies ($117,319,000 available in 1993).

Need for Change. The subsidy needed to support each loan level must be recalculated based on Federal Credit Reform Act of 1990 requirements.

Nature of Change. The subsidy for this program is decreased to reflect the cost of maintaining a $25,000,000 direct electric loan program for hardship cases.

(3) An increase of $600,035,000 in direct electric loans at Treasury interest rate (included in the direct electric loans in 1993).

Need for Change. The Administration proposes to establish a Treasury interest rate direct loan program and reduce the loan subsidies on the REA programs. This program, along with the $25,000,000 direct program at 5 percent interest, will be available to meet the financial needs of all direct electric borrowers.

Nature of Change. This program level will provide funds for electric borrowers who are financially able to qualify for loans at the Treasury interest rate.

(4) An increase of $540,000 in direct electric Treasury rate loan subsidies (included in direct electric subsidies in 1993).

Need for Change. This increase will provide subsidies for the new direct electric loan program at the Treasury interest rate.

Nature of Change. The subsidy for this program includes a Treasury interest rate charge to borrowers. The interest rate increase will reduce the amount of subsidy needed for this program.

(5) A decrease of $513,000,000 for FFB financed direct electric loans ($813,450,000 available in 1993).

Need for Change. FFB financed direct electric loans are being divided into two components--new FFB financed direct electric loans and FFB repriced loans. The total available funds of $813,450,000 remain unchanged.

Nature of Change. New FFB financed loans have a different estimated cash flow from FFB repriced loans. Establishment of a separate loan component is needed to estimate the cost under credit reform requirements on a net present value basis.

(6) <u>A decrease of $35,304,000 for FFB financed direct loan subsidies ($35,304,000 available in 1993).</u>

<u>Need for Change</u>. To reduce the cost of the REA program, a fee on loan advances equal to the amount of the subsidy on the FFB financed direct electric loans, estimated 1.03 percent of the face value of the loan, will be charged to borrowers.

<u>Nature of Change.</u> A fee to offset the subsidy cost of this program will be charged. Based on the imposition of the fee, no subsidy will be needed for FFB financed direct electric loans.

(7) <u>An increase of $513,000,000 for FFB repriced loans (included with FFB financed direct electric loans in 1993).</u>

<u>Nature of Change</u>. A separate component is established for FFB repriced loans. Total funds available for FFB financed electric borrowers remain unchanged.

<u>Need for Change.</u> Due to lower interest rates, borrowers are exercising the option in existing contracts to reprice loans. No subsidy is needed for repriced loans.

(8) <u>A decrease of $239,250,000 in direct telephone loans ($239,250,000 available in 1993).</u>

<u>Need for Change.</u> The Administration proposes to establish a Treasury interest rate direct loan program which will reduce the loan subsidies on this program. The reduction of $239,250,000 will provide the funding. Total funds available for direct telephone borrowers remain unchanged from FY 1993.

<u>Nature of Change.</u> This program decrease will eliminate 5 percent loan funds for telephone borrowers.

(9) <u>A decrease of $43,950,000 for direct telephone loan subsidies ($43,950,000 available in 1993.)</u>

<u>Need for Change</u>. To reduce the cost of the REA program, the Administration proposes to establish a direct telephone loan program at the Treasury interest rate.

<u>Nature of Change</u>. The Treasury interest rate will be charged on all direct telephone loans. This significantly reduces the subsidy costs associated with the loan program.

(10) <u>An increase of $239,250,000 in direct telephone loans at Treasury interest rate (included with direct telephone loans in 1993).</u>

<u>Need for Change.</u> The Administration proposes to establish a Treasury interest rate direct loan program and reduce the loan subsidies on the REA programs.

<u>Nature of Change.</u> This program level will provide funds for direct loans to telephone borrowers.

(11) <u>An increase of $48,000 in direct telephone Treasury rate loan subsidies (included in direct telephone subsidies in 1993).</u>

<u>Need for Change.</u> The subsidy needed to support the new direct telephone loan program at the Treasury interest rate must be calculated based on Federal Credit Reform Act of 1990 requirements.

<u>Nature of Change.</u> The subsidy is based on charging borrowers Treasury interest rates. The interest rate increase reduces the amount of subsidy needed for this program.

(12) <u>A decrease of $84,000 for FFB financed direct telephone loan subsidies ($84,000 available in 1993.)</u>

<u>Need for Change</u>. The subsidy needed to support each loan level in the President's Budget must be recalculated based on Federal Credit Reform Act of 1990 requirements.

<u>Nature of Change</u>. Based on current interest rate and default assumptions there is no cost to the Government for the loans; therefore, no subsidy is needed for FFB financed direct telephone loans.

(13) <u>An increase of $648,000 for administrative expenses. This increase is justified as part of the total REA in Salaries and Expenses, p. 13-38 of the Explanatory Notes.</u>

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Number and Amount of Direct REA Electrification and Telephone Loans by State, Fiscal Year 1992

	ELECTRIC		TELEPHONE	
	No.	Amount	No.	Amount
UNITED STATES	193	$622,050,000	40	$204,480,000
Alabama	6	25,592,000	1	30,856,000
Alaska	1	2,349,000	2	13,102,000
Arizona	4	20,688,000		
Arkansas	3	22,510,000	1	4,118,000
California			1	2,474,000
Colorado	5	23,174,000	1	13,466,000
Florida	4	16,206,000		
Georgia	15	42,088,000	1	5,751,000
Idaho			1	276,000
Illinois	5	11,462,000		
Indiana	1	1,050,000		
Iowa	11	18,135,000	2	4,988,000
Kansas	8	12,359,000	1	3,500,000
Kentucky	8	36,600,000	2	3,883,000
Louisiana			2	10,850,000
Maine	2	721,000		
Michigan	3	8,707,000	2	991,000
Minnesota	9	18,917,000	2	1,571,000
Mississippi	7	35,713,000	2	4,344,000
Missouri	8	24,844,000	1	1,610,000
Montana	6	5,869,000		
Nebraska	5	8,622,000	1	1,520,000
New Mexico	3	3,315,000	1	7,440,000
North Carolina	5	38,653,000		
North Dakota	5	10,743,000		
Ohio	5	4,988,000		
Oklahoma	5	11,482,000	1	3,153,000
Oregon			2	9,183,000
Pennsylvania	4	13,727,000	1	4,225,000
South Carolina	8	42,246,000		
South Dakota	10	14,316,000	2	7,425,000
Tennessee	7	31,176,000		
Texas	16	52,813,000	3	15,622,000
Virginia	6	46,091,000		
Washington	1	1,376,000	1	1,220,000
West Virginia			1	3,597,000
Wisconsin	5	7,453,000	4	10,172,000
Wyoming	2	8,065,000		
Palau			1	39,143,000

Number and Amount of Direct, FFB Electrification and Telephone Loans by State, Fiscal Year 1992

	ELECTRIC		TELEPHONE	
	No.	Amount	No.	Amount
UNITED STATES	28	$785,392,009 a/	3	$35,248,000
Alabama	1	45,495,401		
Arizona			1	28,016,000
Florida	2	78,580,000		
Georgia	1	41,285,396		
Indiana	2	79,490,018		
Iowa	1	5,373,361		
Kentucky	2	79,395,268		
Michigan	1	2,453,000		
Minnesota	3	72,593,456		
Mississippi	1	45,932,722		
Missouri	4	132,008,671		
North Carolina	2	6,921,000		
North Dakota	1	340,000		
Oregon	1	6,081,768		
Pennsylvania	1	122,031,075		
South Carolina	1	3,530,000		
Texas	2	61,532,873		
Virginia			1	3,337,000
Washington			1	3,895,000
Wisconsin	2	2,348,000		

a/ Credit Reform procedures requires the inclusion of 14 repriced guaranteed loans in the amount of $602,586,009.

RURAL ELECTRIFICATION ADMINISTRATION
Summary of Investment Proposal

SUMMARY OF INCREASES AND DECREASES– INVESTMENT PROPOSAL

Item of Change	FISCAL YEAR 1994					
	Base Request		Investment Proposal		Total Request	
	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy
Rural Electrification and Telephone Loans:						
Direct Loans, Telephone ...	$0	$0	+ $25,000,000	+ $3,223,000	$25,000,000	$3,223,000

EXPLANATION OF INVESTMENT PROPOSAL

The additional funding would provide incentives for local telephone exchange carriers, rural community facilities, and rural residents to improve the quality of phone service to allow access to advanced telecommunications services, computer networks, distance learning and medical link, and to improve rural opportunities. Loans made with these funds would be at the rate of 5 per centum per annum.

Rural Electrification and Telephone Loans Program Account

In addition to funding already available under this heading, and subject to the same terms and conditions, for the cost of direct loans, including cost of modifying loans, as defined in section 502 of the Congressional Budget Act of 1974, $3,223,000: Provided, That such sums are to remain available through 2005 for the disbursement of loans obligated in fiscal year 1994: Provided futher, That these funds are available to subsidize gross obligations for the principal amount of direct loans not to exceed $25,000,000 to be available for purposes and end users authorized in sections 2331–2335 of P.L. 101–624 and for telecommunication modernization loans at the rate of 5 percent per year.

This language supports the Administration's effort to provide economic stimulus through investment in improving the national infrastructure.

RURAL ELECTRIFICATION ADMINISTRATION

The 1994 Budget Estimates include proposed language for this item as follows (deleted matter enclosed in brackets, new language underscored):

Rural Economic Development Loans Program Account

For loans authorized under section 313 of the Rural Electrification Act, for the purpose of promoting rural economic development and job creation projects, [$12,389,000] $13,025,000.

For the cost, as defined in section 502 of the Congressional Budget Act of 1974, of direct loans, $3,423,000.

DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION

Rural Economic Development Loans

	Loan Authority	Subsidy
Appropriation Act, 1993	$12,389,000	$3,423,000
Budget Estimate, 1994	13,025,000	3,423,000
Change	+636,000	--

SUMMARY OF INCREASES AND DECREASES
(On basis of loan levels and subsidies)

Item of Change:	1993 Estimated	Change	1994 Estimated
Loan Authority	$12,389,000	+$636,000	$13,025,000
Subsidy	3,423,000	--	3,423,000

PROJECT STATEMENT
(On basis of loan levels and subsidies)

Project	1992 Actual	1993 Estimated	Increase or Decrease	1994 Estimated
Rural Economic Development Loans :				
Loan Level	$8,406,000	$12,389,000	$636,000 (1)	$13,025,000
Loan Subsidies	2,544,334	3,423,000	--	3,423,000

EXPLANATION OF PROGRAM

This program provides funds for loans and grants authorized under section 313 of the Rural Electrification Act of 1936, as amended, for the purpose of promoting rural economic development and job creation projects including funding for project feasibility studies costs, start-up costs, incubator projects, and other expenses for the purpose of fostering rural development.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase in loan authority of $636,000 ($12,389,000 available in 1993).

Need for Change: There is no change in the amount of subsidy budget authority requested for FY 1994. However, a higher loan level can be supported because of a lower subsidy cost.

Nature of Change: The level of rural development loans is increased to reflect utilization of available loan subsidies.

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UNITED STATES DEPARTMENT OF AGRICULTURE

Rural Electrification Administration

Number and Amount of REA Rural Economic Development Loans by State, Fiscal Year 1992

	Electric		Telephone	
	No.	Amount	No.	Amount
UNITED STATES	58	5,344,500	38	3,061,500
Alabama	5	500,000		
Arkansas	2	200,000		
Illinois	1	55,000	1	65,000
Indiana	3	300,000		
Iowa			7	518,500
Kentucky	3	240,000	2	55,000
Maine			1	100,000
Michigan	2	153,400		
Minnesota	4	312,500	11	960,000
Mississippi	1	100,000		
Missouri	3	300,000		
Montana	3	220,000		
Nebraska			1	40,000
North Carolina	1	100,000		
North Dakota	7	700,000	2	150,000
Ohio	2	186,600		
Oklahoma	2	200,000	3	240,000
Oregon	1	100,000		
Pennsylvania	1	100,000		
South Dakota	2	200,000		
Tennessee	12	1,077,000		
Texas	1	100,000		
Utah			1	100,000
Wisconsin	2	200,000	9	833,000

RURAL ELECTRIFICATION ADMINISTRATION

STATUS OF PROGRAM

Current activities, progress, and current programs under each project are outlined below:

General Program Administration

Since inception of the direct/insured loan program, through September 30, 1992, approximately $8.8 billion in regular principal payments and $8.0 billion in interest payments have been made by electric borrowers. Telephone borrowers have paid $2.1 billion in principal and $1.8 billion in interest. As of September 30, 1992, five electric borrowers were in arrears with a total delinquency of $738.1 million. Of this amount $707.5 million is due from three borrowers for guarantees honored by REA, and $30.6 million is due from three borrowers on direct/insured loans (two of whom are also delinquent on guaranteed loans). Workout agreements have been successfully negotiated with nine electric borrowers who were experiencing financial difficulty.

The balance of advance payments/cushion of credit accounts by electric and telephone borrowers was $144.2 million on September 30, 1992, an increase of $62.6 million from a year earlier. In the electric program, the advance payment/cushion of credit balance was $74.0 million as of September 30, 1992, an increase of $50.9 million from a year earlier. In the telephone program, the advance payment/cushion of credit balance was $70.2 million as of September 30, 1992, an increase of $11.7 million from a year earlier.

Accounting and Auditing - REA accountants are responsible for advising borrowers in the development, establishment, and proper maintenance of acceptable public utility accounting records systems. In addition REA reviews the effectiveness of the methods of recording and controlling borrowers' assets, liabilities, and operations, and also the validity of the resulting reports. Reliable reports aid management's control of operations, planning, forecasting, cash flow projections, loan security, and program appraisal.

These responsibilities are carried out primarily by the field accounting staff with supervision and technical assistance provided by the Washington office. The Washington Staff has primary responsibility in conducting Loan Fund and Accounting Reviews (LFAR's) of generation and transmission (G&T) cooperative borrowers and telephone holding company borrowers and limited responsibility for conducting LFAR's in general. During fiscal year 1992, REA accountants completed 763 LFAR's in the electric and telephone programs. In 172 of these reviews, it was found that loan funds were disbursed from the borrowers' construction fund accounts erroneously. The disallowances totaled over $78 million and the borrowers were required to reimburse the construction fund with their own general funds. In addition, $3.3 million was disallowed in accordance with 7 CFR part 1721 Electric Loans - Advance of Funds. The borrowers are required to reimburse REA for the amounts of the disallowance plus interest.

Civil Rights - In fiscal year 1992, REA continued to promote patronage of minority business enterprises by REA borrowers and to assist the borrowers to develop training and employment opportunities for minorities and women. REA has kept up its efforts to broaden outreach with minority organizations and institutions by working cooperatively with USDA agencies to strengthen and expand the capacity of historically black colleges and universities to serve the national interest through quality education. REA encourages its borrowers to actively involve minorities and women in their programs and activities and has developed guidelines which borrowers may use to help increase participation.

During fiscal year 1992, REA processed and analyzed civil rights compliance and participation reports required of its 880 electric borrowers and 962 telephone

borrowers. In addition, the REA Equal Opportunity and Civil Rights Staff completed modified civil rights compliance reviews of a total of 40 electric and telephone borrowers in the field. Additionally, the General Field Representatives of REA conducted 421 pre-award reviews and 672 post-award reviews.

REA civil rights guidelines (REA Bulletin 20-19:320-19, REA Staff Instruction 20-19:320-19, REA Bulletin 20-15:320-15, and REA Staff Instruction 20-18:320-18) are scheduled to be revised and codified by June 1993. Also, REA is promoting its Basic REA Civil Rights Development Program for cooperatives and telephone companies. This voluntary initiative is a national effort and provides the means for REA borrowers not only to comply with civil rights requirements, but for strengthening the borrowers' equal opportunity posture. REA borrowers have adopted this program and this initiative has stimulated borrowers to greater achievements in the important areas of civil rights and equal opportunity. At the close of fiscal year 1992, a total of 421 electric and 200 telephone borrowers are participating in this program, an increase of 31 borrowers from the past fiscal year.

Management Improvement Efforts - REA management is continuously striving to ensure the security of the $63.1 billion in financing provided to over 2,000 electric and telephone borrowers since the inception of the program. Additionally REA provides engineering and management assistance to its borrowers. These entail auditing, accounting, and management responsibilities with automated data processing (ADP) support.

The assessment of current and future ADP usage in the agency continues. In fiscal year 1989, the General Services Administration's Federal Office Automation Support Center completed an office automation study for REA and made recommendations for future ADP usage in the agency. The recommendations were adopted as part of the agency's long-range plan. Departmental technical approval for the implementation was received and implementation has begun. The study identified five major activities in the electric and telephone programs. These activities are loan processing, post-loan processing, borrower operations, policy and procedures, and administrative. The post-loan processing activities include the use of the agency's loan accounting systems in addition to other support systems. In fiscal year 1989, a contract was let to perform a functional requirements analysis and general system design for this activity. The resulting system will provide an integrated accounting and management system for the agency needs. Agency personnel will analyze current systems and incorporate the new requirements. Then applications will be developed for the new office automation program.

REA is continuing the conversion of agency directives to an electronic storage and filing system, making the revision of directives faster and easier to accomplish. This system will also form the framework for electronic dissemination of directives and other publications in the future.

REA has fully implemented the transmission of documents to the Federal Register in an electronic (computer disk) format. This system has resulted in a 20-30 percent reduction of per-page printing costs (currently $375 per page). The one-time cost to the agency was limited to the purchase of necessary software ($125 from GPO) and employee training time.

As a part of a long-range records automation plan, REA has entered into a contract with Kajax Engineering, Inc. (KEI) for the conversion of existing hard copy information systems to electronic imaging document archival and retrieval systems. The contract is for a one-year base period with 4 one-year options and is fully integrated into the agency's long-range office automation plan. Successful completion of this 5-year project is expected to result in significant office and storage space savings in addition to improving employee productivity in the records management staff.

REA has recently completed a project to install official telephone lines and instruments in the homes of all field staff. The successful completion of this project provided field employees enhanced telecommunications capabilities and improved management control over telecommunications costs.

REA has updated voice mail service for participating field and headquarters staff. The agency is now using the USDA voice mail contract. This resulted in a savings of approximately 40 percent per mailbox and allowed wider access to voice mail throughout the agency. This service is expected to improve communications among agency staff by eliminating "telephone tag" and increased efficiency.

Training - REA continues to develop employees through new and existing programs. In fiscal year 1992 training was provided for Agency headquarters employees in MS-Word, Introduction to Lotus, Advanced MS-Word, Negotiation Skills, Cultural Diversity, Managing Multiple Priorities, Coaching and Counseling Skills, Planning for Retirement, Professional Image, and Internal Customer Service.

In addition to formal training programs given for headquarters employees, training is also provided for field staff at area conferences throughout the year. In fiscal year 1993, we will continue to provide on-site training in technical and management topics to aid in the development of Agency employees, including Supervision and Personnel Management. The agency has also begun a middle management development training program. Five staffers have been selected for this program and will receive extensive training in each of the agency's programs and basic supervision and management skills.

Financial Services Staff - In the late 1980's, some of the generation and transmission systems (G&T's) and distribution cooperatives found themselves unable to fully repay REA direct and guaranteed loans. This was due to borrowers' over-optimistic projections of load growth, a decline in actual demand for electricity, unstable oil prices, and negative economic changes.

The Financial Services Staff (FSS) was established to resolve REA's troubled-borrower situations. The main objective of FSS is to maximize the Government's repayment collection potential on each assigned borrower. Since inception, nine G&T's and six distribution cooperatives with debt totaling over $9 billion have been assigned to FSS. To date, FSS has restructured seven G&T's and two distribution cooperatives' debts in the amount of $7 billion. During fiscal year 1993, FSS anticipates accomplishing workouts of one G&T and four distribution cooperatives in the amount of approximately $350 million. The FSS is continuing to work with three borrowers that have executed debt restructure agreements.

FSS also analyzes REA borrower's financial and economic situation to detect potential financially troubled borrowers. REA will take appropriate preventive measures to ensure the Government's security on its outstanding loans and to maximize repayments while encouraging potential troubled borrowers to solve their own financial problems. FSS works closely with the Department of Justice, the Office of Management and Budget and Office of General Counsel in all workout matters.

ELECTRIC PROGRAM

Borrowers' Progress and Financial Development - As of December 31, 1991, REA has provided financing to a total of 1,098 rural electric borrowers in 46 States and Puerto Rico. At the end of 1991, 938 of these borrowers had loans outstanding to REA and were providing electric service to 11,888,118 consumers over 2,075,689 miles of line, and employing 58,074 full-time employees. Of the total 938 active borrowers, 880 were engaged primarily in operating distribution systems while 58 were engaged in operating generation and transmission systems. During fiscal year 1992, borrowers received REA and non-REA financing to add 201,906 new consumers and 14,952 miles of line.

The total number of miles of line constructed by all rural electric distribution borrowers, including former borrowers, reached 2,210,896 miles as of December 31, 1991 and the number of consumers they served reached 12,612,389. At year end 1991, a typical (median) electric distribution borrower operated 2,010 miles of line to serve 8,510 consumers. As an illustration of size diversity, 60 borrowers had fewer than 2,000 consumers and 55 had more than 35,000 consumers.

Energized distribution borrowers as a whole showed a steady financial position. Their composite Times Interest Earned Ratio, a critical measure of financial strength, decreased moderately from 2.23 to 2.22. Net margins from distribution operations totaled $861 million. However, there are individual distribution borrowers with financial problems. In general, power supply borrowers, performed satisfactorily. There are, however, individual power supply cases involving substantial investment where problems are not yet resolved. The financial difficulties result from causes such as excess capacity, actual construction costs, higher than planned, and cancellation of construction. REA is working with these borrowers to arrange workout agreements which would provide repayment of their Government loans and improve their financial position.

The following schedule provides a percentage distribution of kilowatt-hours, (kWh) sold, revenue, and consumers by type reported by REA borrowers operating distribution systems for calendar year 1991.

Type of Consumer	kWh Sold	Revenue	Consumers
Residential, Farm and Non-Farm	59.6	64.8	89.9
Commercial and Industrial, Small	18.2	19.0	8.6
Commercial and Industrial, Large	17.5	11.2	0.1
Other	4.7	5.0	1.4
Total	100.0%	100.0%	100.0%

Borrower Equity - As of December 31, 1991, the composite net worth of all electric power supply and distribution borrowers was $10.98 billion or 18.7 percent, of total assets, compared with $4.79 billion, or 13.5 percent, in 1981. Distribution borrowers had a composite net worth of $10.4 billion or 39.4 percent as of December 31, 1991, compared with $4.21 billion or 29.3 percent in 1981. Power supply borrowers had a composite net worth of $563 million, or 1.7 percent, as of December 31, 1991, compared with $581 million, or 2.8 percent, in 1981.

Electric Rates - During calendar year 1991, REA electric distribution systems had a net increase in farm and residential rates (revenues per kWh) of 1.1 percent. This compares with increases of 1.2 percent in 1990, 0.8 percent in 1989 and 1.1 percent in 1987. The average rate to the farm and residential consumers was 7.54 cents in 1991, 7.31 cents in 1988, and 7.24 cents in 1986.

Fiscal Year 1992 Loan and Loan Guarantee Activity - During fiscal year 1992, REA approved 193 loans in the aggregate amount of $622,050,000 and 14 loan guarantees in the amount of $182,806,000. Of the 14 loan guarantees approved,

11 were for distributions systems which volunteered for loan guarantees. REA also repriced 14 FFB loans for $602,586,009.

Earthquake Hazards Reduction Act - In order to comply with this Act and Executive Order 12699, Seismic Safety of Federal and Federally-Assisted Construction, REA is developing regulations to ensure appropriate consideration of seismic safety in newly constructed buildings which receive financial assistance from REA. These requirements are expected to be finalized by February 1, 1993.

The Clean Air Act Amendments of 1990 - The Clean Air Act Amendments of 1990 will have a substantial impact on many REA borrowers, which may lead to increased lending activity for pollution monitoring and control equipment. REA and its borrowers are continuing to evaluate and quantify the effects of this change. Nearly 20 REA financed generating units totaling about 4600 MW are among the "Phase I" units which must reduce their sulfur dioxide (SO_2) output by 1995. Another 17 REA financed generating units will be required to take substantial action to meet the "Phase II" requirements by the year 2000. Virtually all coal-fired generating units will be required to install upgraded continuous emission monitors. The required actions outlined above will be very capital intensive, and many of the affected borrowers may look to REA for loan guarantees, lien accommodations for pollution control bonds, or other financial assistance to raise needed capital. As of October 30, 1992, five G&T borrowers have indicated a need for financial assistance to meet these requirements.

Design Manual for High Voltage Transmission Lines - This manual has been updated by the Electric Staff Division and provides an excellent reference of fundamental engineering guidelines. It is used by engineers performing design work for transmission lines of REA borrowers.

Environment - To encourage involvement of Federal and State agencies and the general public in the environmental review of projects proposed for REA financial assistance, REA convenes interagency and public scoping meetings and conducts site/corridor inspections. During fiscal year 1992, REA held nine interagency and nine public scoping meetings and conducted seven site/corridor inspections.

During fiscal year 1992, there was considerable activity in the construction of transmission lines, substations, small-scale power generation and headquarters facilities. This requires detailed investigation of environmental impacts. REA procedures require preparation of an environmental assessment and approval of environmental issues before a financial assistance package can be approved. A total of 17 projects received environmental approval during the year. The projects included 300 MW of gas fired and 32 MW of hydroelectric generation and 123 miles of high voltage transmission lines. Another 300 MW of gas fired generation and 207 miles of high voltage transmission lines are included in 10 projects that are under review.

REA borrowers continued to rebuild, upgrade, and expand their electric and telecommunication systems. Although formal environmental documentation by REA was not required for every submittal, each project was reviewed for its environmental acceptability and compliance with REA's environmental policies and procedures. During the year, approximately 1,000 environmental submissions were reviewed which represents a 25 percent increase over fiscal year 1991. Financial assistance or other approval was not granted unless the environmental consequences were acceptable. In several cases, line rerouting and other mitigative actions were required to be incorporated into the projects.

As a result of the Clean Air Act Amendments of 1990, some G&T borrower's will undertake modifications to their existing coal fired generation facilities which are subject to environmental review by REA. The environmental review and approval of modifications at two facilities was completed and is ongoing for a third facility.

The preapplications for 165 rural economic development projects submitted by electric and telephone borrowers were also reviewed for environmental acceptability in fiscal year 1992. This total represents a 30 percent increase from the previous fiscal year.

Borrower Generation Facilities Completed - The only REA financed generating plant which was placed into commercial operation during fiscal year 1992 was the 3000 kW diesel addition at Kotzebue Electric Association (Alaska 13) in the Arctic Circle. Naknek Electric Association (Alaska 10) also placed a 865 kW diesel into operation during this period but it was not funded by REA.

Alabama Electric Cooperative (Alabama 42) purchased an 8.16 percent ownership interest in Plant Miller's units 1 and 2 using REA guarantee loan funds. Plant Miller is a four unit (670 MW each) coal fired power plant owned by Alabama Power Company. The cooperative's ownership interest represents approximately 100 MW. Unit 1 went into commercial operation in 1978 and unit 2 in 1985.

The Old Dominion Electric Cooperative (ODEC) of Glen Allen, Virginia owns 214 MWs of the North Anna Nuclear Power Plant which were acquired from Virginia Electric Power Company with REA Guaranteed loan funds. In September 1991, ODEC received approval of an REA guaranteed loan for one-half the construction cost of a two unit (393 MW net each) coal fired power plant at Clover, Virginia. In 1992, ODEC decided to seek private sector financing to repay its REA guaranteed loan for its investment in the North Anna plant and for construction of the Clover project. ODEC is no longer an REA borrower.

North Carolina Electric Membership Corporation (North Carolina 67) installed a 3000 kW diesel at the Buxton station of Cape Hatteras Electric Membership Corporation. This was not financed by REA.

System Bankruptcies - There are currently three borrowers that are in Chapter 11 bankruptcy. The borrowers are: Wabash Valley Power Association, Inc., Indianapolis, Indiana; Eastern Maine Electric Cooperative, Inc., Calais, Maine; and New Hampshire Electric Cooperative, Inc., Plymouth, New Hampshire. During 1992 Colorado Ute's bankruptcy was resolved in accordance with its Plan of Reorganization.

These bankruptcies are related to power supply matters. It is likely that litigation will continue for some time before the final impact on REA and these borrowers is determined.

Repayment Default by Borrowers - As of September 30, 1992, REA had 16 borrowers which have been identified as "troubled borrowers." Of these borrowers, 10 are operating under completed restructure agreements, or for those that went through a bankruptcy, a "Plan of Reorganization." The remaining six cooperatives include four distribution and two power supply cooperatives with a combined guaranteed and direct debt to the government in excess of $1.5 billion.

Of the six cooperatives, one has received all approvals for its Plan of Reorganization and should emerge from bankruptcy in early 1993, two cooperatives have essentially completed a restructure agreement with their creditors which will be submitted for regulatory approval. One distribution cooperative is in the process of selling its system as a means of resolving its financial problems. Another distribution cooperative in bankruptcy indicates that it is very close to reaching an agreement on a "Plan of Reorganization." The remaining cooperative has been in bankruptcy for more than 7 years and the issues are not resolved.

In addition, significant ongoing discussions and negotiations are continuing with two cooperatives that have previously executed a debt restructure agreement.

Borrower Consolidation - During fiscal year 1992, REA ran its computer merger model for 25 borrowers that are investigating the possibility of consolidating with other systems. Interest in consolidation continues as borrowers consider better ways to manage in today's business environment. During fiscal year 1992, the membership of two borrowers voted to merge into a single cooperatives.

Insured Loan Fund Advances and Construction Progress

	1991	1992
Insured Loan Advances (fiscal year).....	$591,619,424	$401,004,813
Consumers connected (calendar year).....	197,856	229,890est.
Miles energized (calendar year).........	12,632	16,569est.

Unadvanced insured electrification loan funds totaled $1.3 billion as of September 30, 1992.

Cumulative Payments of Insured Loans

	Fiscal Year 1991	Fiscal Year 1992
Payments:		
Principal......................	$8,368,819,314	8,756,339,925
Interest	7,469,353,259	7,978,673,190
Payments ahead of schedule	23,108,230	74,000,026
Payments overdue more than 30 days	23,443,592	30,365,755
Interest and principal lost on two foreclosures	44,478	44,478

Progress of Electrification Program - The cumulative figures presented in the following Tables I and II show the progress that has been made in the electrification program since its inception.

TABLE NO. I - ELECTRIFICATION LOANS

(Cumulative Figures)

Date	Total Direct & Insured Loans All Purposes	Long-Term Supplemental Loans a/	Loan Guarantee Commitments	Construction Authorized By Total Loans to Date: Miles of Line	Construction Authorized By Total Loans to Date: Consumers to be Served
1936 - 1970	7,329,418,562	62,000,000		1,681,825	6,908,440
June 30, 1971......	7,690,458,056	74,774,000		1,699,683	7,113,261
June 30, 1972......	8,128,458,056	243,170,000		1,772,866	7,412,054
June 30, 1973......	8,746,398,057	350,408,100		1,756,889	7,858,579
June 30, 1974......	9,364,746,057	884,373,000	$ 974,433,000	1,789,464	8,297,824
June 30, 1975.....	10,065,663,198	1,049,343,500	2,130,776,000	1,826,837	8,691,541
June 30, 1976.....	10,814,505,146	1,247,750,000	3,422,329,000	1,857,872	8,992,150
Sept. 30, 1977 ...	11,843,244,646	1,526,088,308	7,811,694,000	1,889,603 b/	9,363,546 b/
Sept. 30, 1978 ...	12,695,852,805	1,771,115,232	10,120,812,000	1,935,184	9,878,264
Sept. 30, 1979 ...	13,743,204,822	2,059,865,340	15,550,489,000	1,971,249	10,310,990
Sept. 30, 1980 ...	14,667,668,821	2,425,257,643	20,794,423,000	2,004,249	10,743,122
Sept. 30, 1981 ...	15,517,468,822	2,930,690,643	25,787,839,000	2,036,370	11,124,452
Sept. 30, 1982 ...	16,367,468,822	3,227,509,036	30,803,239,470	2,060,917	11,416,909
Sept. 30, 1983 ...	17,210,757,822	4,323,016,968	33,033,014,812	2,094,917	11,672,909
Sept. 30, 1984 ...	18,052,907,819	4,979,133,896	33,645,164,820	2,104,455	12,120,855
Sept. 30, 1985 ...	18,607,067,832	7,114,632,970	32,372,593,434	2,120,972	12,375,867
Sept. 30, 1986 ...	19,249,602,935	7,370,602,091	30,980,392,027	2,137,532	12,622,463
Sept. 30, 1987 ...	19,833,743,216	7,559,700,000	30,959,549,842	2,160,040	12,845,500
Sept. 30, 1988 ...	20,420,021,878	7,804,779,000	31,497,487,828	2,172,945	13,210,669
Sept. 30, 1989 ...	20,991,325,799	9,277,490,897	30,879,101,072	2,185,129	13,510,018
Sept. 30, 1990 ...	21,581,131,547	9,773,185,540	30,907,614,363	2,200,678	13,770,498
Sept. 30, 1991 ...	22,026,711,334	9,929,826,498	31,407,269,249	2,214,198	13,955,423
Sept. 30, 1992 ...	22,621,316,426	10,279,641,702	30,612,328,653	2,233,527	14,176,946

a/ Includes commitments for long-term financing from all sources other than REA direct and insured loan and loan guarantee programs.
b/ Reflects June 30 statistics.

TABLE NO. II - ELECTRIFICATION CONSTRUCTION
(Cumulative Figures)

Date	Direct & Insured Loan Funds Advanced to Borrowers a/	Under Guarantee a/	Construction Completed b/ Total Miles Energized	Total Consumers Served	Total mWh Sales c/ (Annual)(Thousands)
1936-1970.....	6,463,530,118		1,676,001	6,442,332	76,009,289
1971	6,875,490,883		1,700,348	6,747,698	84,282,836
1972	7,293,974,951		1,732,545	7,076,249	93,534,163
1973	7,748,574,076		1,766,701	7,457,123	100,688,298
1974	8,428,574,076		1,797,525	7,767,813	105,690,807
1975	4,140,430,790	$ 249,237,000	1,827,896	8,017,654	112,669,814
1976	9,813,780,284	902,438,000	1,857,434	8,311,779	124,004,376
1977	10,689,455,578	2,287,307,219	1,890,173	8,630,818	131,547,776
1978	11,425,761,950	4,053,295,219	1,917,859	8,962,540	141,908,005
1979	12,332,895,522	5,741,699,219	1,950,394	9,275,086	150,055,226
1980	13,300,561,317	8,178,223,219	1,978,758	9,523,552	160,243,316
1981	14,223,624,965	12,148,594,761	2,009,504	9,844,319	167,687,587
1982	15,033,054,352	16,163,645,166	2,036,416	10,096,448	172,731,820
1983	15,706,706,260	19,285,946,383	2,057,702	10,555,401	187,193,706
1984	16,298,908,490	21,637,515,383	2,082,093	10,836,358	209,063,661
1985	16,960,120,665	23,679,423,763	2,100,005	11,110,158	215,175,311
1986	17,691,652,392	25,013,019,178	2,122,550	11,357,105	215,599,260
1987	18,282,355,463	25,580,697,271	2,142,419	11,628,110	223,965,317
1988	18,865,058,534	25,779,086,688	2,150,389	11,797,981	236,468,484
1989	19,577,377,221	26,004,433,688	2,178,530	12,139,143	239,666,253
1990	20,324,479,315	26,130,979,092	2,197,841	12,382,969	252,151,483
1991	20,913,570,555	26,229,025,966	2,210,896	12,612,389	252,568,951
1992	21,317,103,552	26,437,162,797	2,231,337 est.	12,878,182 est.	262,831,177 est.

a/ Fiscal Year
b/ Calendar Year.
c/ Excludes energy sales by one REA borrower to another.

TELEPHONE PROGRAM

Providing Initial Service To Rural Subscribers - During calendar year 1991, REA financed borrowers reported an increase of 362,386 subscribers over calendar year 1990. This brings the total number of subscribers served by REA financed systems to 5,834,602.

During fiscal year 1992, nine companies -- Fort Mojave Telecommunications Corp. (California), Grafton Telephone Company (Illinois), Vanhorne Cooperative Telephone Company (Iowa), Caddoan Telephone Company (Louisiana), Orchard Farm Telephone Company (Missouri), Oklahoma ALLTEL, Inc. (Oklahoma), Eagle Telephone System, Inc. (Oregon), Oregon-Idaho Utilities (Oregon), and Palau National Communications Corp. (Palau) -- received first time (initial) loans from REA totalling $72,992,100 to provide for service to 31,570 total subscribers over 4,880 miles of line.

Other Loan Fund Purposes - In conjunction with providing funds for new subscribers, during fiscal year 1992, REA financing provided for many systemwide technological improvements and other services such as Educational Television (ETV), Mobile Cellular Service, and Basic Exchange Telephone Radio Systems:

- REA financing totalling nearly $73 million was provided for fiber optic systems and 3,487 miles of fiber optic cable;

- over $87 million in REA financing was provided for new digital central office switching equipment and software upgrades totalled $14 million;

- REA financing also provided for rural radio systems (BETRS) totalling more than $3 million to serve 131 subscribers where more conventional service would have been to costly or impracticable; and

- REA provided financing totalling nearly $2 million to borrowers for the purpose of providing ETV service to 40 rural schools.

Upgrading Rural Telephone Service - Over 5.83 million subscribers were receiving service on REA financed systems as of December 31, 1991. Of this total, 97.4 percent were receiving one-party service, an increase of 1.1 percent from December 31, 1990. Continued progress is being made toward single-party service in rural communities as shown below.

Percent of Subscribers by Grade of Service
End of Calendar Year

Service	1987	1988	1989	1990	1991
1-party.............	93.2%	94.1%	95.2%	96.3%	97.4%
2-party.............	0.9	0.8	0.8	0.6	0.4
4-party (or more)...	5.9	5.1	4.0	3.1	2.2

Upgrading service has resulted in an increase in long-distance calling which has in turn increased telephone revenues. Average toll revenue and access-charge revenue per subscriber increased from $497 in 1990, to $501 in 1991, and the average local service revenue per subscriber remained unchanged at $191.

Special Interest Rate Loans - In accordance with 7 CFR Part 1737, Pre-Loan Policies and Procedures Common to Guaranteed and Insured Telephone Loans (as amended to incorporate the provisions of the Farm Bill of 1990), REA may make insured loans at an interest rate of less than 5 percent but not less than 2 percent to borrowers that would otherwise not qualify for an insured loan from REA at the standard interest rate of 5 percent. During fiscal year 1992 , REA processed and approved one insured loan at an interest rate of less than 5 percent. The Palua National Communications Corporation received a loan in the

amount of $39,143,000 at an interest rate of 4.59 percent. Under REA's previous regulations, this borrower would not have been eligible for financing from REA at a loan interest rate of 5 percent.

REA Guaranteed Federal Financing Bank (FFB) Loans - In fiscal year 1991, the telephone program provided the first guaranteed commitments since 1984. During fiscal year 1992, three REA guaranteed commitments of FFB loans were made totalling $35,248,000: Lewis River Telephone Company, Inc. (Washington), Citizens Utilities Rural Company, Inc. (Arizona), and Amelia Telephone Corporation (Virginia) received guaranteed commitments of $3,895,000, $28,016,000, and $3,337,000, respectively.

Prepayment of REA Guaranteed Federal Financing Bank (FFB) Loans - During fiscal year 1992, approximately $15 million in unused prepayment authority of FFB loans was made available to qualified REA-financed telephone borrowers. During the application period, REA received prepayment applications from 37 telephone borrowers totalling more than $121 million. In accordance with the procedures set forth in 7 CFR 1786, "Prepayment of REA Guaranteed Federal Financing Bank Loans," the prepayment applications submitted were prorated by REA. Nearly all of the $15 million in prepayments is expected to be received by December 31, 1992.

Financial Development of Telephone Borrowers - Total operating revenues reported by REA telephone borrowers in calendar year 1991 amounted to $4.4 billion compared with $4.1 billion in 1990. Toll-service revenues amounted to 66 percent of the total, or about $2.9 billion. This is a continuation of the trend in the past few years which has been due to upgrading service to subscribers, increased ownership of toll lines by borrowers, and improved toll settlement contracts.

The agency continues to encourage borrowers to seek outside financing for plant additions. This is part of the Administration's efforts to reduce borrowers' dependence on REA financing. Borrowers have been able to attract the outside capital necessary to finance projects related to expansion and modernization of basic telephone services and other telecommunications facilities because of REA's policy concerning lien accommodations and subordinations.

Borrower Net Worth - Borrowers' net worth increased by $467 million during calendar year 1991 and now represents 41.1 percent of total assets. The following table shows that total net worth has increased approximately 297 percent during the last 10 years, and the average net worth to assets ratio has also improved substantially.

Net Worth

Year	No. of Borrowers Reporting	Reported Net Worth (in $000's)	Average Net Worth for all Borrowers (in $000's)	Net Worth as % Total Assets
1981	949	$1,781,941	$1,878	25.3%
1985	942	2,853,771	3,029	30.1
1986	935	3,108,226	3,324	31.4
1987	920	3,494,074	3,798	33.4
1988	913	3,799,730	4,162	35.4
1989	903	4,304,796	4,767	37.8
1990	897	4,823,278	5,377	39.6
1991	902	5,290,597	5,865	41.1

Borrower Plant Investment - At the end of calendar year 1991, telephone plant-in-service totaled $14.0 billion, an increase of $761 million for the year. This represents an investment per subscriber of $2,404, a slight decrease from the $2,425 per subscriber investment reported in 1990.

Management Assistance - REA provides assistance to borrowers in the area of loans, management, revenue requirements, and other matters to support the most efficient use of loan funds and preserve the security of outstanding loans. Special emphasis has been placed on reducing borrowers' dependence on Government loan funds through more efficient management practices and the development of new sources of revenue.

Telecommunications Engineering and Standards Activities - The REA engineering support staff is adapting to the rapid technological growth and trends within the telecommunications industry in a manner that will benefit rural America. REA encourages the utilization of proven telecommunications technologies to advance the information needs of rural America. Through December 31, 1991, REA has provided approximately $1.14 billion for digital switching equipment and approximately $94 million for fiber optic cable.

REA's role in developing its own independent materials and equipment standards is diminishing. The agency is participating with the telecommunication industry's standards development organizations to assure that the standards will properly protect the interests and needs of REA telephone borrowers serving sparsely inhabited areas. REA continues to support the application of new products in rural telephone systems. Our goal is to assure the availability of equipment and practices that will provide dependable and economical telecommunications services to rural America.

REA is actively participating on Surge Protection Devices Committees of the American National Standards Institute (ANSI) and the Institute of Electrical and Electronics Engineers (IEEE), and on Committees of ANSI T1 and the Protection Engineers' Group of the Exchange Carriers Standards Association. These efforts will assist in the development of guides and standards relating to discrete electrical surge arresting components; complete product devices such as telephone station protectors, network interface devices, building entrance protectors, telephone central office protectors; and power surge suppression devices for electric power facilities serving telephone central offices.

REA also continues to maintain active membership on Panel 16 of the National Fire Protection Association (NFPA). Panel 16 of the NFPA is responsible for telecommunication wiring requirements appearing in American National Standards Institute Standard 70, National Electric Code (NEC). Most states within the union adopt the NEC and require telephone companies to install facilities strictly in accordance with this Code. REA maintains membership on the committee to assure borrowers' rural area concerns are taken into account in the Code (requirements) development process.

The REA staff, in cooperation with the telephone borrowers, is conducting a random 1000 loop study among all the loops served by the REA financed offices. This study will provide a description of the operating plant and gather data enabling REA, telephone companies, and equipment manufacturers to determine specific needs of telecommunications in the rural environment. REA ascertains the extent and condition of the buried and aerial cables and the associated hardware. REA judges quality of service and adequacy of maintenance. Transmission performance and noise levels are checked by field measurements. REA finds how electronics and fiber optics are being used and how loan funds can best be utilized for new facilities.

Lightwave transmission systems have become economic alternatives to the traditional wire communications systems in both urban and rural areas. The use of lightwave systems by REA borrowers continues to increase and has now reached a stage of general use in rural telecommunications systems.

REA has approved a small field experiment for transmission products for fiber to the home to gain meaningful technology performance in a rural environment. REA hopes to gain practical insight necessary to develop practices for planning,

engineering, design, construction, operations and maintenance from this initiative for future rural telecommunications systems.

Service to subscribers in sparsely populated areas requires planning, innovation, and patience. The REA staff continues to work with manufacturers, consulting engineers, and REA borrowers on innovative techniques for economical rural telephone service. One technique of interest in the wireless loop concept where subscribers are served by radio. REA has promoted the radio-loop concept for 30 years as an alternative to the high cost of wireline construction in sparsely inhabited rural areas. REA borrowers, contending with the unique problems associated with serving rural areas, benefit from wireless telephone service. Both BETRS (Basic Exchange Telecommunications Radio Service) and cellular radio can provide fixed service to subscribers who might not otherwise be served. REA continues to support the application of new products for rural telephone systems by providing technical information updates, system specification reviews, equipment availability listings, and economic feasibility reviews. Recently, REA published a tutorial on cellular radio.

The Telecommunications Standards Division will conduct Telecommunications Engineering and Management Seminars at two locations next year. The major emphasis will be discussing design, economics, materials, construction, testing and application of fiber optics in the local exchange plant in rural areas.

REA continues to work with borrowers, manufacturers and users to lower material costs, and to implement new and improved specifications and standards. These changes are intended to accommodate improving technology and to provide superior products to REA borrowers.

TELEPHONE PROGRAM STATISTICS

Through September 30, 1993, REA loans, loan guarantees, and loans from the Rural Telephone Bank totaled $9.9 billion. The percentage of farms with telephone service has increased from about 38 percent in 1949 to about 96 percent today. Satisfactory rural telephone service today demands an improved grade of service from the four- or eight-party rural concepts of years ago. In keeping with subscriber demand, REA recommends one-party, flat rate rural service. Recognizing various borrower circumstances, however, REA will assist with providing quality 4-party service where necessary. As of December 31, 1991, 97.4 percent of the subscribers of REA borrowers were receiving 1-party service.

Loan Activity - During fiscal year 1992, 40 insured loans were approved totaling $204,480,000, 29 Rural Telephone Bank loans were approved totaling $177,023,700, and three loan guarantee commitments were made totaling $35,248,000. Also, during the year there were 34 rescissions of prior year loans totaling $65,254,330. This included 14 REA loans for $5,099,680, 19 RTB loans for $57,108,650 and 1 loan guarantee commitment for $3,046,000.

Fund Advances and Construction Progress

	1991	1992
Advances (fiscal year)		
REA Loans	$197,592,856	$172,453,544
RTB Loans	$163,143,075	$88,997,072
Loan Guarantees	$19,000,000	$5,668,000
Route miles of line constructed or improved, net	10,914	9,443
Subscribers receiving new or improved service, net	88,112	125,079

Through September 30, 1992, borrowers had received advances from the REA loan program totaling $8,096,188,995. Total REA telephone, Rural Telephone Bank loans, and loan guarantee commitments approved provided for construction and

improvement of 1,012,557 miles of line and new or improved dial service to 6,176,103 subscribers. Unadvanced insured telephone loan funds totaled $932,792,246 as of September 30, 1992.

Cumulative Payments - REA Loans

	1991	1992
Payments: (fiscal year)		
Principal (Including payments ahead of schedule)...........	$1,971,518,947	2,120,046,844
Interest.......................	1,641,938,408	1,768,581,625
Payments ahead of schedule.....	58,475,777	70,205,305
Payments overdue more than 30 days......................	--	--

Progress of REA and RTB Telephone Programs

The cumulative figures presented in the following Tables I and II show the progress that has been made in the REA and RTB telephone programs since their inception.

TABLE NO. I - TELEPHONE LOANS
(Cumulative Figures)

Date	Total REA Net Loans a/	Telephone Bank Net Loans	Loan Guarantee Commitments	Construction Authorized By Total Loans to Date: Route Miles of Line To Be Constructed or Improved	Construction Authorized By Total Loans to Date: Subscribers to Receive New or Improved Service
1950-1968	$1,499,674,227			545,493	2,271,874
June 30, 1969	1,623,413,120			552,927	2,364,493
June 30, 1970	1,746,578,450			564,771	2,450,421
June 30, 1971	1,870,028,433			579,233	2,543,516
June 30, 1972	2,002,536,718	$ 90,954,800		596,119	2,698,337
June 30, 1973	2,147,368,193	240,913,490		616,274	2,854,530
June 30, 1974	2,287,396,227	397,344,290		636,755	3,026,688
June 30, 1975	2,487,335,227	557,532,080	$200,000,000	693,064	3,494,543
June 30, 1976	2,737,299,979	737,202,830	381,615,000	742,225	3,842,606
Sept. 30, 1977	3,032,569,126	923,744,623	393,873,000	768,097	4,093,482
Sept. 30, 1978	3,298,965,598	1,076,923,873	391,918,000	790,669	4,318,651
Sept. 30, 1979	3,548,961,362	1,207,676,173	311,918,000	815,975	4,497,419
Sept. 30, 1980	3,793,445,662	1,367,234,097	417,903,000	835,464	4,672,647
Sept. 30, 1981	4,032,971,525	1,520,511,682	469,946,000	859,457	4,899,384
Sept. 30, 1982	4,272,115,929	1,694,587,539	629,335,000	888,000	5,091,000
Sept. 30, 1983	4,517,363,859	1,860,593,433	673,647,000	905,000	5,219,000
Sept. 30, 1984	4,738,327,507	1,993,109,001	740,438,000	924,137	5,407,097
Sept. 30, 1985	4,938,184,502	2,141,439,869	679,454,000	935,399	5,500,096
Sept. 30, 1986	5,109,951,104	2,222,571,187	679,454,000	940,774	5,583,517
Sept. 30, 1987	5,338,204,715	2,392,178,866	673,397,000	971,719	5,663,220
Sept. 30, 1988	512,526,619	2,407,583,826	664,391,000	977,092	5,723,741
Sept. 30, 1989	5,721,580,239	2,525,809,488	630,894,093	984,607	5,842,511
Sept. 30, 1990	5,946,821,894	2,647,220,503	621,197,960	992,200	5,962,912
Sept. 30, 1991	6,120,014,892	2,777,490,243	682,897,960	1,003,114	6,051,024
Sept. 30, 1992	6,319,395,212	2,897,405,293	715,099,960	1,012,557	6,176,103

a/ Comprised of REA insured loans.

TABLE NO. II - TELEPHONE CONSTRUCTION
(Cumulative figures)

Date	REA Loan Funds Advanced To Borrowers a/	Telephone Bank Loan Funds Advanced To Borrowers b/	Loan Funds Advanced To Borrowers Under Guarantee b/	Construction Completed c/ d/ Route Miles of line Constructed or Improved	Subscribers Receiving New or improved Service
1950 - 1968.....	$1,242,998,913			533,559	2,067,025
1969	1,348,878,422			554,190	2,184,575
1970	1,484,279,069			547,322	2,334,511
1971	1,621,729,749			568,051	2,428,868
1972	1,754,097,487	$ 587,923		583,922	2,574,814
1973	1,876,472,536	45,642,259		603,747	2,725,030
1974	1,998,530,418	144,350,892		627,483	2,919,113
1975	2,141,897,321	274,228,758	$ 5,528,683	652,884	3,045,292
1976	2,284,760,323	387,163,911	45,588,544	683,648	3,283,223
1977	2,492,089,204	486,044,526	95,045,815	726,271	3,599,069
1978	2,637,142,419	628,341,716	138,360,625	748,361	3,877,060
1979	2,835,240,540	758,881,783	184,760,170	771,951	4,072,709
1980	3,074,345,739	958,826,018	246,829,859	797,944	4,262,359
1981	3,355,041,322	1,107,425,390	283,524,456	804,982	4,374,005
1982	3,593,616,042	1,219,657,517	348,210,000	830,948	4,545,576
1983	3,775,526,906	1,313,060,353	379,459,740	846,989	4,628,778
1984	3,963,360,749	1,403,510,902	422,929,740	868,333	4,746,909
1985	4,099,287,553	1,476,186,159	443,832,740	871,643	4,792,145
1986	4,328,619,093	1,547,946,679	470,162,740	868,923	4,832,686
1987	4,489,982,114	1,599,921,617	492,525,960	877,218	5,004,558
1988	4,665,272,952	1,719,409,984	495,850,960	895,553	5,096,867
1989	4,832,430,651	1,816,456,931	498,037,960	911,282	5,276,450
1990	5,018,490,634	1,924,151,922	508,625,960	923,909	5,472,216
1991	5,216,083,490	2,087,294,997	527,625,960	937,037	5,834,602
1992	5,386,602,966	2,176,292,069	533,293,960	946,037 est.	5,959,602 est.

a/ Fiscal Year - Includes advances on REA direct and insured loans.
b/ Fiscal Year.
c/ Calendar Year.
d/ Excludes some borrowers who have received REA loans, RTB loans, and REA loan guarantee commitments totaling less than 20 percent of total assets.

RURAL ELECTRIFICATION ADMINISTRATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Telephone Bank Program Account

The Rural Telephone Bank is hereby authorized to make such expenditures, within the limits of funds available to such corporation in accord with
1 law, and to make such contracts and commitments [without regard to fiscal year limitations as provided by section 104 of the Government Corporation Control Act, as amended,] as may be necessary in carrying out its authorized
2 programs for the current fiscal year. During fiscal year [1993] 1994, and within the resources and authority available, gross obligations for the
3 principal amount of direct loans shall be not [less] more than $177,045,000 [nor more than $210,540,000].

For the cost, as defined in section 502 of the Congressional Budget Act of 1974, including the cost of modifying loans, of direct loans authorized by the
4 Rural Electrification Act of 1936, as amended (7 U.S.C. 935), [$35,000]
5 $35,409: Provided, That, loans made by the Rural Telephone Bank pursuant to section 408 of the Rural Electrifcation Act shall bear interest at a rate, which may be fixed or adjusted from time to time, equal to the cost of funds to the Department of Treasury for obligations with a maturity not to exceed the maturity of the loan: Provided further, That such sums are to remain available through 2005 for the disbursement of loans obligated in fiscal year 1994.

6 In addition, for administrative expenses necessary to carry out the loan programs, [$8,632,000] $8,905,000.

The first change deletes the provision that abolishes a fiscal year limitation.

The second change updates the fiscal year designation.

The third change eliminates the range for RTB loans and establishes a $177,045,000 program.

The fourth change updates subsidy cost for 1994 Telephone Bank loans.

The fifth change allows the Rural Telephone Bank to make loans at the Treasury interest rate and provides that loans obligated in this account in fiscal year 1994 shall remain available for disbursement through 2005.

The sixth change updates the funds requested for administrative expenses.

DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION

Rural Telephone Bank

	Direct Loan Authorization		Loan Subsidy
Appropriation Act, 1993	$ 177,045,000		$35,000
Budget Estimate, 1994	177,045,000		35,409
Change	--	+	409

SUMMARY OF INCREASES AND DECREASES
(On basis of loans, subsidies and administrative expenses)

Item of Change:	1993 Estimated	Changes	1994 Estimated
Loan Program:			
Direct Loans	$177,045,000	- $177,045,000	--
Direct Loans, Treasury Rate	--	+ 177,045,000	$177,045,000
Total, Loans	177,045,000	--	177,045,000
Loan Subsidy:			
Direct Loans	35,000	- 35,000	--
Direct Loans, Treasury Rate	--	+ 35,409	35,409
Total, Loan Subsidies	35,000	+ 409	35,409
Administrative Expenses	8,632,000	+ 273,000	8,905,000

PROJECT STATEMENT

(On basis of loan levels, subsidies, and administrative expenses)

Project	1992 Actual		1993 Estimated		Increase or Decrease		1994 Estimated	
	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy
Rural Telephone Bank:								
Loan Program:								
Direct Loans	$177,023,700	$3,628,986	1/ $177,045,000	$35,000	($177,045,000)	($35,000)	--	--
Direct Loans, Treasury Rate	--	--	--	--	177,045,000	35,409	$177,045,000	$35,409
Total, RTB	177,023,700	3,628,986						
Unobligated Balance, Lapsing	21,300	14						
Total Appropriation	177,045,000	3,629,000	177,045,000	35,000	--	409 (1)	177,045,000	35,409
Investment Proposal							25,000,000	5,000
Total, President's Budget							202,045,000	40,409
Administrative Expenses		8,632,000		8,632,000		273,000 (2)		8,905,000

1/ For FY 1993, the subsidy appropriation provides a supportable loan level of $175 million.

EXPLANATION OF RURAL TELEPHONE BANK PROGRAM

Public Law 92-12, approved May 7, 1971, amended the Rural Electrification Act of 1936, as amended, to establish the Rural Telephone Bank as a supplemental source of financing the Rural Telephone Program. The Act, as amended, permitted the Secretary of the Treasury to purchase the Bank's debentures. This reduced RTB borrower costs. Public Law 93-32, approved May 11, 1973, further amended the Act to increase the Bank's borrowing authority from eight to twenty times its paid-in-capital and retained earnings. The Bank charges an interim rate from date of advance until the end of the fiscal year of the Bank's rate of borrowing from Treasury. After the first year, a complex formula for computing the Bank's lending rate applies, but the rate cannot be less than 5 percent per annum.

Borrowing Authority

Equity capital of the Bank consists of Class A stock, bearing a 2 percent dividend, purchased by the United States Government; Class B and C stock purchased by Bank borrowers, organizations eligible to become borrowers, organizations controlled by borrowers; and retained earnings. With the implementation of Credit Reform in FY 1992, the Bank was provided permanent, indefinite authority to meet its cash needs on all loans made prior to FY 1992.

Highlights of Operation

The Rural Telephone Bank made 29 loans totaling $177,023,700 in FY 1992. Since its inception, the Bank has made loans totaling $2,897,405,293 to 609 borrowers.

The net income of the liquidating account from October 1, 1991, to September 30, 1992, amounted to $66,472,077. After making provision for a return of $11,841,593 on Class A stock held by the government, a balance of $54,630,484 was available for patronage refunds, dividends, and retained earnings. Assets of the Bank totaled $1,893,033,233 as of September 30, 1992, and liabilities were $774,222,553. The Bank has invested some of the proceeds from the sale of Class B and C stock in United States securities; interest on these investments amounted to $38,693.

In FY 1993, a new Rural Telephone Bank Equity Account has been established. Amounts equal to approximately 5 percent of each repayment on loans advanced from the financing account and current purchases of Class B Stock in the liquidating account will be deposited into this account.

Funds accumulated may be used to begin redemption of Class A Stock in FY 1996, as allowed by law.

Program Statistics
(Dollars in thousands)

	FY 1992 Actual	FY 1993 Estimate	FY 1994 Estimate
Cumulative net loans	$2,897,406	$3,072,406	$3,249,451
Cumulative loan funds, advanced	2,176,292	2,298,472	2,432,979
Unadvanced loan funds, end of year	721,114	773,934	816,472
Cumulative principal repaid	448,822	489,266	533,889
Cumulative interest paid	1,452,329	1,581,411	1,715,929
Number of borrowers	609	609	609

As required by Title XIII, section 13201, of the Omnibus Budget Reconciliation Act of 1990, this account records the subsidy costs associated with the direct loan obligations and guaranteed loan commitments of this account in FY 1992 and beyond. Subsidy amounts are obtained by estimating the difference between the Government's cash disbursements and the net present value of the Government's cash inflows resulting from direct and guaranteed loans made through this account.

JUSTIFICATION OF INCREASES AND DECREASES

(1) <u>An increase of $409 in subsidy costs ($35,000 available in 1993)</u>.

<u>Need for change</u>. This increase in appropriated subsidy will allow full utilization of the $177,045,000 requested loan level based on projected Treasury interest rates.

<u>Nature of change</u>. Appropriated subsidy in FY 1993 supported a loan level of $175 million. The authorized level was $177,045,000. This increase will fully fund the requested program level.

(2) <u>An increase of $273,000 for administrative expenses ($8,632,000 available in 1993). This increase is justified as part of the total REA in Salaries and Expenses, p.13-38 of the Explanatory Notes</u>.

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Number and Amount of Rural Telephone Bank
Loans by State, Fiscal Year 1992

	No.	Amount
UNITED STATES	29	$177,023,700
Alabama	1	8,352,750
California	1	3,062,850
Florida	1	6,849,150
Illinois	1	644,700
Kentucky	1	6,893,250
Louisiana	3	27,207,600
Maine	1	7,350,000
Michigan	1	3,269,700
Minnesota	1	2,197,650
Mississippi	1	1,838,550
Missouri	1	1,971,900
Montana	1	3,131,100
North Carolina	1	32,941,650
Oklahoma	3	24,977,400
Oregon	2	3,177,300
Pennsylvania	2	3,704,400
South Carolina	4	30,838,500
South Dakota	1	2,986,200
Tennessee	1	2,523,150
Wisconsin	1	3,105,900

RURAL ELECTRIFICATION ADMINISTRATION
Summary of Investment Proposal

SUMMARY OF INCREASES AND DECREASES – INVESTMENT PROPOSAL

Item of Change	FISCAL YEAR 1994					
	Base Request		Investment Proposal		Total Request	
	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy
Rural Telephone Bank Loans:						
Direct Loans, Treasury Rate	$177,045,000	$35,409	+ $25,000,000	+ $5,000	$202,045,000	$40,409

EXPLANATION OF INVESTMENT PROPOSAL

The additional funding would provide incentives for local telephone exchange carriers, rural community facilities, and rural residents to improve the quality of phone service to allow access to advanced telecommunications services, computer networks, distance learning and medical link, and to improve rural opportunities.

Rural Telephone Bank Program Account

In addition to funding already available under this heading, and subject to the same terms and conditions, for the cost of direct loans, including the cost of modifying loans, as defined in section 502 of the Congressional Budget Act of 1974, $5,000: Provided, That such sums are to remain available through 2005 for the disbursement of loans obligated in fiscal year 1994: Provided further, That these funds are available to subsidize gross obligations for the principal amount of direct loans, not to exceed $25,000,000, to be available for purposes and end users authorized in sections 2331-2335 of P.L. 101-624 and for telecommunications modernization loans: Provided further, That these loans shall bear interest at a rate, which may be fixed or adjusted from time to time, equal to the cost of funds to the Department of Treasury for obligations with a maturity not to exceed the maturity of the loans.

This language supports the Administration's effort to provide economic stimulus through investment in improving the national infrastructure.

RURAL TELEPHONE BANK

STATUS OF PROGRAM

The Rural Telephone Bank was established May 7, 1971, when Public Law 92-12 was enacted, amending the Rural Electrification Act of 1936, as amended. The Bank supplements the REA telephone loan program in providing rural telephone systems with capital for furnishing and improving telephone service in rural areas.

Lending Activity - During fiscal year 1992, the Rural Telephone Bank approved 29 loans, totaling $177,023,700. From the Bank's inception in May 1971, loans have been approved totaling 2,897,405,293. As of September 30, 1992, there were 516 active RTB borrowers.

Sale of Stock - No additional Class A stock was purchased by the Government during fiscal year 1992. The cumulative total of Class A stock purchases to date is $592.1 million. Bank borrowers purchased $2,422,902 in Class B stock during fiscal year 1992, bringing the net cumulative total through September 30, 1992, to $447,318,824. Class C stock cumulative through September 30, 1992, amounted to $16,041,000.

Interest and Reserve for Interest Rate Fluctuations - Patronage capital on October 1, 1991, totaled $50,828,043. In compliance with the Omnibus Budget Reconciliation Act of 1987, all amounts in the Reserve for Contingencies have been transferred to the Reserve for Interest Rate Fluctuations. In accordance with Resolution 86-4, amending Section 8.2 of the Bylaws, all amounts in the Reserve for Interest Rate Fluctuations in excess of $10 million were distributed in the form of Class B Stock. During fiscal year 1992, interest income totaled $143,173,881, of which $125,355,225 was from loans; $17,779,963 was from cash on deposit with the U.S. Treasury, and $38,693 from investments. Expenses incurred amounted to $76,578,787 for interest on funds borrowed from the U.S. Treasury and $125,000 in allowance for loan losses. After deducting these costs from total income, the net income amounted to $66,475,578. In addition, expenses for directors' fees and travel amounted to $46,627.

Management of the Rural Telephone Bank - The management of the Bank is vested in a board of directors consisting of 13 members. The Omnibus Budget Reconciliation Act of 1990 established a change in the board membership. Of the 13 members, the Administration can appoint two from the private sector and five from general officers of USDA, excluding REA. Six board members are elected by Bank borrowers.

Bank Board Election - During fiscal year 1992, the Bank held its 11th election of the board of directors. For the first time ever, the election was conducted by mail, resulting in a a more efficient and cost effective election process.

General Administration - The Rural Telephone Bank's enabling legislation authorizes it to partially or jointly use the facilities and services of REA, or any other agency of the Department of Agriculture without cost.

The Bank's operations are conducted by REA employees who perform similar responsibilities under REA's rural telephone program. REA and the Department's Office of General Counsel provide administrative support to the Bank without reimbursement.

In fiscal year 1992, REA created the Rural Telephone Bank Management Staff. In addition to providing management support to the Assistant Administrator - Telephone, this staff will be providing the RTB Board of Directors with analytical and administrative support.

Borrower Interest Rate - The Omnibus Budget Reconciliation Act (OBRA) of 1987 established a new method for setting interest rates for advances under loan commitments made on or after October 1, 1987. For each advance made during the

fiscal year, the average yield on the date of advance on outstanding marketable obligations of the United States, having a final maturity comparable to the final maturity of the advance, will apply from the date of advance to the end of that fiscal year. After the fiscal year in which the advance is made, the Bank's cost of money is determined for that fiscal year and becomes the interest rate applied to the advance until it is repaid. By statutory provision, the interest rate on Rural Telephone Bank loans cannot be less than 5 percent.

The Federal Credit Reform Act of 1990 implemented a system to reform the budgetary accounting and management of Federal credit programs. Bank loans approved on or after October 1, 1991, are accounted for in a different manner than Bank loans approved prior to fiscal year 1992. As a result, the Bank must calculate two cost of money rates: (1) the cost of money rate for advances made from the liquidating account (advances made during fiscal year 1992 on loans approved prior to fiscal year 1992) and (2) the cost of money rate for advances made during fiscal year 1992 on loans approved on or after October 1, 1991, (otherwise referred to as loans from the financing account).

The long term interest rate on advances made during fiscal year 1992 under Bank loans approved prior to fiscal year 1992 is 6.14 percent (the liquidating account rate). The long term interest rate on advances made during fiscal year 1992 under Bank loans approved during fiscal year 1992 is 7.38 percent (the financing account rate).

The composite interest rate on Rural Telephone Bank loans outstanding for the year ending September 30, 1992, was 7.36 percent.

RURAL ECONOMIC DEVELOPMENT PROGRAM

STATUS OF PROGRAM

REA strongly encourages rural electric and telephone systems to play a major role in improving the economy of rural areas through voluntary support of economic development projects. Rural utility systems are in a unique position of leadership to provide the initiative, as well as financial and technical assistance, for rural development projects.

Rural Economic Development Loan and Grant Program

All REA borrowers are eligible for funds under this program provided they are current on all Federal debt and not in bankruptcy proceedings. The program provides funds to borrowers for the purpose of promoting rural economic development and job creation projects.

Zero-Interest Loan Activity for Fiscal Year 1992 - During fiscal year 1992, REA made 96 zero-interest loans totalling $8,406,000 to borrowers in 24 states. The loans ranged in size from $25,000 up to a maximum of $100,000 with an overall average of $87,500. REA selects rural development projects based on job creation, supplemental funds provided from other sources, unemployment and income levels, and other factors. All of the projects REA selected in fiscal year 1992 were leveraged with supplemental funds from other sources, including private financial institutions, local and state governments, regional development organizations, other Federal agencies, REA borrowers, and owner's equity. The 96 loans made in fiscal year 1992 went primarily to assist in financing projects categorized as business expansion, community economic development, business start-up, industrial parks, and water/sewer.

Examples of Selected Projects in Fiscal Year 1992 - Examples of projects selected under this program for electric borrowers are a $100,000 loan to Warren Electric Cooperative, Youngsville, Pennsylvania, to construct a municipal waste recycling processing plant, a $100,000 loan to Bon Homme-Yankton Electric Association, Tabor, South Dakota, to expand an engineering and manufacturing firm, a $100,000 loan to Holston Electric Cooperative, Rogerville, Tennessee, to start up a manufacturer of aquariums, a $100,000 loan to Caney Fork Electric Cooperative, McMinnville, Tennessee, to purchase equipment for a plastics manufacturing firm, and a $100,000 loan to Blue Ridge Electric Membership Corporation, Lenoir, North Carolina, to purchase equipment for a manufacturer of closet shelving systems.

Examples of projects selected under this program for telephone borrowers are a $30,000 loan to Massena Telephone Company, Massena, Iowa, to purchase equipment for a recycling company, a $80,000 loan to Hospers Telephone Exchange, Hospers, Iowa, to construct a medical clinic, a $100,000 loan to Panhandle Telephone Cooperative, Guymon, Oklahoma, to expand a cabinet manufacturer, a $75,000 loan to Garden Valley Telephone Company, Erskine, Minnesota, to purchase a fire truck, a $100,000 loan to Consolidated Telephone Company, Brainerd, Minnesota, to construct a warehouse and buy equipment for an electronic assemblies manufacturer.

Modifications in the Program in Fiscal Year 1992 - In fiscal year 1992, REA modified its regulations covering this program to increase the maximum size of loans from $100,000 to $400,000, permit borrowers to file applications every month instead of every other month, and provide a method of ranking applications and documenting REA's selections.

In addition to the zero-interest loan and grant program, the Omnibus Budget Reconciliation Act of 1987 provided REA electric borrowers with an additional opportunity to increase their participation in rural development activities. REA electric borrowers are now permitted to invest their own funds and make loans and guarantees of up to 15 percent of their total utility plant without obtaining prior approval of the REA Administrator.

Rural Economic Development Grants - REA is currently in the process of implementing necessary changes in its regulations covering grant requirements under this program. In previous years the agency selected applications based on a preference for zero-interest loans rather than grants. Unobligated funds available for grants in fiscal year 1992 based on the interest differential on borrowers' cushion of credit deposits will remain available for grants in fiscal year 1993.

Distance Learning and Medical Link Grant Program

REA issued a proposed rule for this program on May 26, 1992. The agency received 44 comments, which have been taken into consideration. The final rule for this program is expected to be published by the end of 1992. Upon the effective date of the rule, eligible entities such as educational institutions, hospitals, or other rural community facilities would be able to apply for grant funds. Grant funds totalling $10 million will be available for fiscal year 1993.

Deferments of REA Loan Payments for Rural Development Projects

The Rural Economic Development Act of 1990, Title XXIII of the Farm Bill, authorized the deferment of principal and interest on REA insured and direct loans to encourage investment in rural development activities. A total of approximately $36 million could be deferred in fiscal year 1993. The deferred payments must be repayed over 5 or 10 years depending upon the type of rural development investment.

REA issued the proposed rule to implement this program on June 16, 1992. REA has considered the public's comments and the final rule is expected to be published by January 1, 1993. Upon the effective date of the rule, REA borrowers may apply for loan deferments to promote rural development projects.

Rural Economic Development Loans

The cumulative figures presented show loan activity by program:

Fiscal Year	Program					
	Electric		Telephone		Total	
	Number	Amount	Number	Amount	Number	Amount
1989	20	$1,555,000	4	303,000	24	1,558,000
1990	73	6,283,000	28	2,263,000	106	8,546,000
1991	139	12,413,500	59	4,776,100	198	17,189,600
1992	186	16,621,000	95	7,565,600	281	24,186,600

REA borrowers in 37 states have had applications selected.

DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION

Rural Economic Development Grants

Grant Level:

1993 Actual	$14,098,000
1994 Estimate	5,400,000
Change	– 8,698,000

SUMMARY OF INCREASES AND DECREASES
(On basis of available funds)

Item of Change:	1993 Estimated	Change	1994 Estimated
Grant Authority	$14,098,000	– $8,698,000	$5,400,000

PROJECT STATEMENT
(On basis of available funds)

Project	1992 Actual	1993 Estimated	Increase or Decrease	1994 Estimated
Rural Economic Development Grants 1/	– –	$14,098,000	– $8,698,000 (1)	$5,400,000

1/ Amounts represent earnings generated by the interest differential on voluntary cushion of credit payments made by REA borrowers.

EXPLANATION OF PROGRAM

This account provides funds for grants authorized under section 313 of the Rural Electrification Act of 1936, as amended, for the purpose of promoting rural economic development and job creation projects including funding for project feasibility studies costs, start-up costs, incubator projects, and other expenses for the purpose of fostering rural development.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A decrease of $8,698,000 for Rural Economic Development Grants ($14,098,000 available in 1993). This decrease reflects the estimated earnings for FY 1994. The amount of funds available in FY 1993 includes carryover funds of $7,198,000 from FY 1992. REA is currently in the process of preparing a proposed rule for this grant program.

RURAL ELECTRIFICATION ADMINISTRATION

The 1994 Budget Estimates include proposed language for this item as follows (deleted matter enclosed in brackets, new language underscored):

Distance Learning and Medical Link Grants:

For necessary expenses to carry into effect the programs authorized in sections 2331-2335 of Public Law 101-624, [$5,000,000] $5,135,000, to remain available until expended.

This change reflects the appropriation request for fiscal year 1994.

DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION

Distance Learning and Medical Link Grants

Appropriation Act, 1993		$5,000,000
Budget Estimate, 1994		5,135,000
Change	+	135,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriated funds)

Item of Change:	1993 Estimated	Change	1994 Estimated
Distance Learning & Medical Link Grants	$5,000,000	+ $135,000	$5,135,000

PROJECT STATEMENT
(On basis of obligations under available funds)

Project	1992 Actual	1993 Estimated	Increase or Decrease	1994 Estimated
Distance Learning & Medical Link Grants	--	$10,000,000	($4,865,000)	$5,135,000
Unobligated balance, SOY	--	(5,000,000)	5,000,000	--
Unobligated balance, EOY	5,000,000	--	--	--
Total, appropriation	5,000,000	5,000,000	135,000 (1)	5,135,000

EXPLANATION OF PROGRAM

This grant program provides access to advanced telecommunications services and computer networks to improve rural opportunities. Program guidelines will allow priority for projects which include jointly shared facilities.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $135,000 for Distance Learning and Medical Link Grants ($5,000,000 appropriated in 1993) which reflects a 2.7% increase for inflation.

RURAL COMMUNICATION DEVELOPMENT FUND

STATUS OF PROGRAM

The Rural Communication Development Fund was established pursuant to Secretary's Memorandum No. 1988 approved May 22, 1979. This action transferred certain financing authorities under the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) from the Farmers Home Administration to the Rural Electrification Administration for the purpose of financing and administering community antenna television (CATV) services to facilities in rural areas.

Lending Activity - Through 1992 cumulative insured or direct loans of $24.9 million and $10.1 million in guarantee commitments were approved. Principal outstanding on insured loans is $14.3 million.

Program - The February 1979 White House Rural Development initiatives announced that funding would be provided through USDA loan programs to help rural telephone systems and other eligible organizations to provide commercial television to rural residents. Since that time, it has been determined that sufficient capital is available from private sources to fund this program and no further lending has occurred. REA continues to administer the existing program. The total number of active CATV borrowers is 12.

RURAL ELECTRIFICATION ADMINISTRATION

The 1994 Budget Estimates include proposed language for this item as follows (new language underscored; deleted matter enclosed in brackets):

SALARIES AND EXPENSES

For administrative expenses to carry out the provisions of the Rural Electrification Act of 1936, as amended (7 U.S.C. 901- 950(b)), and to administer the loan and loan guarantee programs for Community Antenna Television facilities as authorized by the Consolidated Farm and Rural Development Act (7 U.S.C. 1921-1995), and for which commitments were
1 made prior to fiscal year [1993] 1994, including not to exceed $7,000 for financial and credit reports, funds for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $103,000 for employment under 5 U.S.C. 3109, [$37,795,000] $38,716,000; of which [$29,163,000] $29,811,000 shall be derived by transfer from the Rural Electrification and Telephone Loans Program Account in this Act and [$8,632,000] $8,905,000 shall be derived by transfer from the Rural Telephone Bank Program Account in this Act:
2 Provided, [That none of the funds in this Act may be used to authorize the transfer of additional funds to this account from the Rural Telephone Bank: Provided further,] That none of the salaries and expenses provided to the Rural Electrification Administration, and none of the responsibilities assigned by law to the Administrator of the Rural Electrification Administration may be reassigned or transferred to any other agency or office.

[OFFICE OF THE ADMINISTRATOR]

3 [For necessary salaries and expenses of the Office of the Administrator of the Rural Electrification Administration, $243,000: Provided, That no other funds in this Act shall be available for this Office.]

The first change updates the fiscal year designation.

The second change eliminates additional restrictive language that prohibits the Rural Telephone Bank from transferring additional funds to this account.

The third change deletes the language providing a separate appropriation for the Office of the Administrator since funds for this office are requested in the Salaries and Expenses appropriation.

RURAL ELECTRIFICATION ADMINISTRATION

Salaries and Expenses

Appropriation Act, 1993:	
Salaries & Expenses, Transfer from Program Accounts	$37,795,000
Office of the Administrator	243,000
Total Appropriation, 1993	38,038,000
Budget Estimate, 1994	38,716,000
Change	+ 678,000

SUMMARY OF INCREASES AND DECREASES
(On basis of available funds)

Item of Change	1993 Estimated		Pay Cost		Other Changes	1994 Estimated
Salaries and Expenses	$38,038,000	+	$748,000	–	$70,000	$38,716,000

PROJECT STATEMENT
(On basis of available funds)

Project	1992 Actual Amount	1992 Actual Staff Years	1993 Estimated Amount	1993 Estimated Staff Years	Increase or Decrease	1994 Estimated Amount	1994 Estimated Staff Years
Administration of Loan Programs:							
Rural Electric & Telephone Loans	$26,953,772	390	$29,163,000	400	$648,000	$29,811,000	400
Rural Telephone Bank Loans	8,051,127	116	8,632,000	120	273,000	8,905,000	120
Office of the Administrator	124,692	3	243,000	3	(243,000)	--	--
Total Administration of Loan Programs	35,129,591	509	38,038,000	523	678,000 (1)	38,716,000	520
Unobligated Balance Lapsing:							
Salaries and Expenses	2,790,101	--	--	--	--	--	--
Office of the Administrator	118,308	--	--	--	--	--	--
Total, Appropriation	38,038,000	509	38,038,000	523	678,000	38,716,000	520

1/ Funds appropriated to the RETL program account and the RTB program account will be treated as a transfer to the Salaries and Expenses account.

EXPLANATION OF PROGRAM

The "Salaries and Expenses" Account of the Rural Electrification Administration funds the activities authorized by the Rural Electrification Act, as amended. The Salaries and Expenses account is funded by transfers from the Rural Electrification and Telephone Loans program account and the Rural Telephone Bank program account where administrative expense funds are appropriated, as required by the Federal Credit Reform Act of 1990. The RE Act authorizes REA to provide to qualified electric and telephone organizations capital through insured loans and guarantees of loans by other lenders for electric and telephone service in rural areas comparable in reliability and quality to the service provided the rest of the nation. REA is also authorized by section 313 to make zero-interest loans and grants to REA borrowers for the purpose of promoting rural economic development and job creation projects. The Distance Learning and Medical Link Program will provide grants to rural community facilities, such as schools, hospitals, and medical centers. These grants will allow access to advanced telecommunication services and computer networks which will provide educational and medical benefits to people living in rural areas. In addition to administering the programs and assuring the feasibility and adequate security and collections on loans, the REA staff furnishes management and technical assistance to borrowers for the purpose of protecting the Government's loan security, to assure that construction and operation of borrowers' systems conform to approved standards, and that the electric and telephone systems continue providing reliable service on an area coverage basis.

Applications, Loans, and Requisitions for Advances
(Dollars in thousands)

	Actual Fiscal Year 1992		Estimated Fiscal Year 1993		Estimated Fiscal Year 1994	
	Number	Amount	Number	Amount	Number	Amount
Electric Program						
Direct loans approved.	193	$622,050	194	$625,035	194	$625,035
Direct loans, FFB......	28	785,392a/	29	813,450	29	813,450
Advances processed (Insured Loans)......	456	401,005	591	519,867	759	666,801
Telephone Program						
Direct loans approved..	40	204,480	47	239,250	47	239,250
RTB loans approved.....	29	177,024	28	175,000	29	177,045
Direct loans, FFB......	3	35,248	10	119,625	10	119,625
Advances processed -						
REA borrowers.........	311	170,519	323	177,169	395	216,193
RTB borrowers.........	120	88,997	167	122,180	195	134,507

a/ Includes 14 repriced guaranteed loans of $602,586,009.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net increase of $678,000 for Salaries and Expenses ($38,038,000 appropriated in FY 1993) consisting of:

(a) An increase of $748,000 which includes funds for salaries and for benefits for the annualization of the fiscal year 1993 pay raise.

(b) An increase of $201,000 which reflects a 2.7 percent increase in non-salary costs.

(c) A decrease of $261,000 which reflects a 3 percent reduction in administrative expenses from the amount made available for fiscal year 1993 adjusted for inflation.

Need for Change. To promote the efficient use of resources for administrative purposes, in keeping with the President's Executive Order, total USDA baseline outlays for these activities will be reduced by 3 percent in FY 1994, 6 percent in FY 1995, 9 percent in FY 1996 and 14 percent in FY 1997.

Nature of Change. In order to achieve this savings, REA will reduce printing and other services in order to achieve the reduction in administrative expenses which is the net of an increase for inflation and a decrease of 3 percent required by the Presidential Executive Order.

(d) A decrease of $10,000 for FTS 2000 funding. This decrease reflects lower long distance telecommunications prices due to price redeterminations in the FTS 2000 contracts.

WEDNESDAY, APRIL 21, 1993

FARMERS HOME ADMINISTRATION

WITNESSES

SHARRON S. LONGINO, ACTING ADMINISTRATOR

JAMES C. ANDERSON, DIRECTOR, BUDGET DIVISION

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

OPENING REMARKS

Mr. DURBIN. Good morning and welcome to this meeting of the subcommittee. This morning we will be considering witnesses from Farmers Home Administration. Sharron Longino, James Anderson and Steve Dewhurst are with us, and if you would like to proceed with your statement or summary of it, we would appreciate it very much.

STATEMENT OF ACTING ADMINISTRATOR

Ms. LONGINO. Thank you, Mr. Chairman and the committee members. I am pleased to present the highlights of the Farmers Home Administration fiscal year 1994 budget request. I ask that my formal statement be entered into the record. I would like to summarize a few points, however.

The Farmers Home Administration continues to respond to rural families in financial need. Our loans and other assistance give hope to hard-working rural people, allowing them to stay on their farms. We still find many rural areas caught in poverty. In response, Farmers Home will strengthen its mission of providing economic assistance through a compassionate supervised lending program and putting people first.

The Farmers Home program budget request for fiscal year 1994 is in harmony with the Administration's belief that government is a partner with the private sector working for growth. Nowhere is this partnership for development clearer than in the role of our guaranteed loans in our fiscal year 1994 request. In fiscal year 1993, the stimulus package calls for more guaranteed single family housing loans that will meet a ready demand. The fiscal year 1994 budget continues this trend for guaranteed rural housing loans. This program is successful from our standpoint and is well received by private lenders.

Supervised direct farm lending programs show how government can empower people who are left out of private credit markets because they are considered to be too great a risk. Our credit programs are a cost-effective option for government because most of the program funding extended to borrowers is ultimately repaid. The 1994 budget request for direct operating loan is $796.3 million,

slightly less than available this year, but $225 million more than used in fiscal year 1992. Our request for guaranteed loans with interest assistance is $425.6 million and guaranteed loans without interest assistance is $3.5 billion. This request will more than meet the demand for these loans.

Our request for direct farm ownership loans is $79 million and will be targeted to beginning farmers and socially disadvantaged applicants. The request for guaranteed farm ownership loans is $563.5 million, an increase of $109 million over the amount available this year. In addition, the Administration is requesting funding for the first time in the amount of $10 million for grants to community based organizations and to colleges that reach out and assist socially disadvantaged farmers to own and operate farms.

Also, Farmers Home is hard at work gearing up for the new program for beginning farmers and ranchers passed by the Congress at the end of your last session.

Our single family housing credit programs assist thousands of rural families by giving them a chance to own modest homes and build equity, just like their neighbors who have access to private lending. The people served by our agency, even though they are considered the highest credit risk, pay their bills. Borrowers are able to experience the pride of home ownership.

Including the investment budget, our request for direct single family housing loans is almost $1.9 billion, $600 million more than available this year. The request for guaranteed loans is $682 million, an increase of $352 million. These levels will go a long way in providing modest and decent housing for those who cannot get credit elsewhere or obtain credit without a Federal guarantee.

Our repair loans and grants help low-income people, particularly the elderly, fix their dwellings so that they are safe, sanitary and weathertight. We are requesting $42 million in housing repair loans and $31 million for housing repair grants, a substantial increase over fiscal year 1993, as part of the President's investment package. For those whose incomes cannot support repayment of a housing purchase, we finance the construction of multifamily housing and provide rental assistance to tenants. Our request for direct rental housing loans is $547 million, providing about 13,280 families with rental housing. Our request for the rental assistance program, which makes rural rental housing affordable, is $422 million. This year we are requesting $75 million for housing vouchers for use in communities where adequate supplies of rental houses or apartments are available. This is a modest request that would assist about 3,750 families.

The salaries and expenses to administer our programs are budgeted within the request of the Farm Service Agency. In order to reach our program goals we will need highly motivated, careful work from our current employees and superb cooperation from private lenders as well as an automation system that is fast, accurate, thorough, and flexible. We believe that USDA reorganization, including creation of the new Farm Service Agency, will enable us to achieve these goals.

It has been my privilege to present the first Clinton Administration budget request for the Farmers Home Administration. We look forward to contributing our share to the economic empower-

ment of rural America. We are proud of our borrowers and of their repayment record and we need to make sure that Farmers Home does everything that we can so that they can succeed as farmers and homeowners. We must operate an agency that is lean, efficient and, most importantly, consumer friendly. Our promise to the taxpayers is that we will provide cost-efficient programs that help stimulate and stabilize the rural economy.

Thank you and I will be happy to answer any questions you might have.

[CLERK'S NOTE.—Mrs. Longino's biography appears on page 492. The Acting Administrator's prepared statement appears on pages 493 through 501. The budget justifications received by the Committee on May 10, 1993 propose to combine Farmers Home Administration, the Soil Conservation Service and Agricultural Stabilization and Conservation Service into a single Farm Service Agency. The combined justifications appear on pages 710 through 994.]

FMHA PAPERWORK REQUIREMENTS

Mr. DURBIN. Thank you very much. I noticed in your background that you have worked in a Congressional Office and that you have dealt with constituents.

Ms. LONGINO. Yes, sir.

Mr. DURBIN. And I am sure that some of those constituents over the years called to talk about the Farmers Home Administration.

Ms. LONGINO. Yes, sir.

Mr. DURBIN. And now you are in a different position.

Ms. LONGINO. Yes, sir.

Mr. DURBIN. I would like to share with you some experiences that we have had in our office and I am sure you have had similar ones. I once asked a friend of mine at the Farmers Home Administration to give me some idea of the paperwork that is required of people who come to your agency. And I would have to tell you that what they gave me was troubling.

At the outset let me suggest to you that Congress is at fault for many of these requirements, but we have now reached a point where several administrations have said that they want to change these paperwork requirements at the Farmers Home Administration. I sincerely hope that Secretary Espy, as part of reorganization, will address this in a very serious and specific way. I would like to bring to your attention several things that I have been given which talk about the difficulties which farmers are facing in dealing with the Farmers Home Administration.

We have here, what they consider to be the most egregious examples of things that are required. They sent me a six-page check list for a completed rural housing loan. Now, I went to law school many years ago and practiced law for many years. You have worked in a law office and have paralegal status yourself. I think you would find this check list, which the county offices use, to be oppressive in its detail and length. Of the different forms that could be used by the agency, six pages for a rural housing loan.

But then we get into fairly specific areas. For the sake of discussion I tried to put myself in the place of a young farmer who wanted to get a loan to start his farming operation. He calls the

Farmers Home Administration County Office to inquire about the loan and they say they will send him the information if he is interested in applying. Two days later he opens up an envelope which contains a four-page cover letter and fourteen pages of attachments. I think most people would be discouraged having received that. And we have it here, the exact forms that are given out in our District, and I looked through them and they are overwhelming in terms of the information that is requested.

I just think there are an awful lot of people who do not take advantage of programs because of these sorts of problems. Can you tell me if this has been discussed yet with the new Administration, in terms of lessening the paperwork and trying to get the necessary information in a more efficient manner?

Ms. LONGINO. Mr. Chairman, the amount of paperwork that is required for our loans is very cumbersome. It is not only cumbersome for the constituent that would like to receive services, but it is very technical. It is very hard to understand the information that is actually being requested. As a congressional aide working in a congressional office, very often I tried to figure out how can Farmers Home be a service-oriented agency when everything that they are offering is done in such a complex manner. After coming to Farmers Home and being placed in the position of Acting Administrator, I saw Farmers Home from a different standpoint because I was able to see why the County Supervisor was passing out the large volumes of information.

As you have stated, a lot of that is a creation that came about as a result of certain laws being passed and Farmers Home trying to keep in compliance with the intent of those laws.

We have to look at the direction of Farmers Home, the amount of paperwork and the amount of documentation required. Our loans should be based upon what is considered accountability and good management, while at the same time we need to try to serve a constituent that cannot obtain credit elsewhere, which means our constituency is a constituency of a different nature. So, yes, we have discussed making our forms more simple so that our consumers and our constituency can understand those forms and be able to take advantage of our programs.

CONSOLIDATION OF SERVICES

Mr. DURBIN. One of the things that the Secretary has suggested and the President has also indicated is that there will be some move toward consolidation of services for the Farmer Service Offices.

Let me give you an example how this might affect your agency positively. One of the things required by the farm bill was that farmers had to comply with government standards for soil erosion in order to qualify for your programs. That requirement applies to your guaranteed loan program. So we have a governmental requirement working with the private sector. We get a lot of complaints from bankers about the paperwork involved. Now what is amazing is the bankers themselves are complaining about all the regulations they have to face. But when they take a look at Farmers Home Administration, there are even more complaints.

Let me give you an example of how this process works in Illinois and I am sure in Mississippi and other parts of the country. A banker might refer a customer to the ASCS office to start the process to document compliance. The farmer makes an appointment and visits the local ASCS office and completes Form AD10-26, the Highly Erodible Land Conservation and Wetland Conservation Certification. He then submits six copies. ASCS transmits five copies of this form, with aerial photos of all farms operated by the farmer attached, to the local SCS office. SCS reviews the information received, reviews their own records and then completes Form SCS-CPA-026, an original and four copies. Farmers Home Administration or the banker then completes another form, Farmers Home Administration 1940-22, the Environmental Checklist for Categorical Exclusions. This process requires four to six weeks. At the end of the period we have been able to clearly document that the farmer is or is not required to have an approved conservation plan or is following that plan. The bankers are frustrated at what seems to be a very time consuming and complicated method of getting answers to some simple questions.

Since Farmers Home offices are usually co-located with SCS and ASCS, it would appear these agencies could easily make the required determinations without all this time and all this paperwork. I would hope that as you start talking about consolidation that one of the things that will come out of it is that people will pick up the phone and talk to one another or maybe meet in the same office and cut down this paperwork trail. All of the time required has to frustrate the borrower. It certainly frustrates the bank to the point that they do not want to come use our guaranteed loan programs if they have to go through this mountain of work.

And going back to what you mentioned earlier, please on my behalf and I hope the members of the subcommittee, feel free to come to us and say, "We would suggest Congress take a fresh look at some of the things you are asking us to do," and one of them I am going to point to next, just may no longer be necessary.

This is one that I particularly like. Home repair grant programs, and as I recall that was part of the stimulus package. In order to qualify for a repair grant limited to $5,000, the applicant must occupy and own the home, must be a senior citizen and must be in a very low income category. Most of these grant recipients as I understand it are elderly women. Then we send her this Form AD10-50 in which we require this elderly lady to certify, as a condition of the grant, that she will not engage in the unlawful manufacture, distribution, dispensing, possession, or use of any controlled substance in conducting any activity with the grant. So in order to repair her leaking roof, she has got to make it very clear with this certification that she is not going to be doing any drug dealing in her home.

This made an awful lot of sense when our colleague from Pennsylvania suggested it on the Floor as a way to clean up the drug problem in America. It shows the ridiculous extremes we go to when it comes to applying such stipulations to your agency and so many others.

PROFESSIONAL APPRAISERS

Let me move to another area that concerns me, too. And that is the whole effort to bring in professional appraisers at the Farmers Home Administration. Most of the appraisers in America through state standards and others are self-policing and have uniform standards. But we have adopted different standards for the Farmers Home Administration. This has resulted in delays, excessive cost and in some cases an inability to even find professional appraisers willing to meet Farmers Home Administration's requirements. In Illinois, specifically, we pay 30 percent more than the bank for an appraisal and it takes twice as long to complete. That is no service to the taxpayers and it is certainly not a service to the people who are trying to get help through the agency.

Ms. LONGINO. I agree totally, Mr. Chairman. In looking at a lot of the problems, we find that they have come as a result of laws being enacted, and regulations promulgated in the hopes that we will be able to comply with the laws' intent. We lost sight of the constituents that we were trying to reach out to. Very often when we talked to the constituent we would find that a lot of the things that we are asked to put into a regulation are totally unnecessary. And I totally agree with you that if the agencies could talk to each other and sit down and reason together we would have far less paperwork and far more constituent service.

FMHA COUNTY OFFICIALS

Mr. DURBIN. The other thing I have run into time and time again—I bet you have, too—somebody will call and say, "The Farmers Home Administration county official in our county is impossible. Nobody likes him. The farmers cannot stand him. We do not want to work with him. What can you do to get rid of him?"

Ever heard that one?

Ms. LONGINO. Yes, sir.

Mr. DURBIN. So have I, and it is frustrating, because the bottom line is just about nothing. You have got to put up with it.

What I would like to see, and this comes from a Farmers Home Administration office, is perhaps some opportunity for the customers of the Farmers Home Administration, as they do in virtually every other business, to have an opportunity to comment on the service that they receive so that this can be shared with the people who administer the programs. The folks who are on the front line, albeit juggling all these forms and trying to do the right thing, must keep in mind that they are a service agency. They really have to be doing their very best to provide a service in a courteous and efficient way. I think you can do this without Congress requiring it, but I hope you will take it back to the Secretary and to the Farmers Home Administration, the idea of getting input from the people who are to be served by the agency as to whether they are being treated courteously and efficiently. That may help to change some of the attitudes in some of the offices, and I hope there are only a few of them where people are getting that kind of service.

Ms. LONGINO. Mr. Chairman, during the last month I have traveled to several of our State Offices, met with the State Directors and the County Supervisors because of inquiries just as you stated.

I mainly wanted to find out why were we having this problem when we are supposed to be a service-oriented agency.

I listened to them and when I came back, I looked at our performance standards and our regulations and I certainly could understand their frustration and have a different appreciation for them than when I was an advocate.

The County Supervisor is running up against a lot of brick walls as a result of continual guidance on how to manage. Years ago, Farmers Home used to be a service-oriented agency. However, over the years we have moved more to becoming an agency with the prime priority being that of managing the dollars that we are letting the customer borrow and at the same time reducing services that we should be providing to the customer.

Many of our County Supervisors have been with the agency a long time and they remembered when the constituent came in and sat down with them and they were able to assist that constituent with filling out the complicated forms and explaining to them what our services were, really working with them and getting to know them.

However, as time moved on, the Agency was more geared towards managing the paperwork rather than assisting the customer. As a result, the County Supervisor became caught in a Catch 22 situation. If he tries to service the customer, he could not complete all the paperwork. This brought about frustration. We must keep in mind that the County supervisor is a member, in many cases, of that same community. He has to face the same people when he goes to church and when he goes to the supermarket and he does not feel good reducing service. At the same time he has to feed his family, so he is trying to juggle the requirements of two major forces, one being that of the agency that has strayed from being consumer friendly and that of his community. And, Mr. Chairman, that is a very tough situation to be placed in. However, this Administration is truly stressing the fact that the Farmers Home Administration mission is to provide supervised credit in a compassionate way, and that we can help build the community rather than stray from the community. Hopefully, you will see a change by the County Supervisors and their county offices.

CHALLENGE TO FMHA AND TO CONGRESS

Mr. Durbin. Let me try to bring this to the bottom line. I do not want to leave this with Congressman Durbin complains Farmers Home Administration acknowledges problems and life proceeds with no change. Let us try to be real specific about what we are going to achieve as a result of this.

I would like you through the Farmers Home Administration to challenge Congress and say, "We think you can cut down the following paperwork and the following requirements by changing the law in certain areas and come back with some proposals to us, specific proposals."

Then I am going to challenge you back and ask you, through your agency, to come up with ways that do not require Congressional action to cut down on this paperwork, this bureaucracy and this inefficiency. And we will put those challenges together and

hopefully when it is over it will take less time and fewer pieces of paper to get this process completed. And two specific areas I would like you to come back to me and indicate whether at anytime since you have been asking elderly women to disclose that they are not going to be drug dealers, whether any of them have ever been prosecuted for drug dealing who were recipients of Farmers Home Administration loans because of this form they filed. I mean did they disclose something and having done that end up being prosecuted later on, used for that purpose. Ask your agencies. Has anybody come up with any example where this has resulted in a prosecution or even an investigation.

And, finally, on the appraisers, we have got to find a way to cut down on the cost and the time involved in this. And I would like you to come back with specific ideas of how to do it. I think your folks are the ones who can do it.

APPRAISAL PROCESS

Ms. LONGINO. Mr. Chairman, I accept your challenge and I can honestly say this morning we have already begun work on working with the appraisal process.

In my visits to the State Offices and the County Offices, this had already been identified in some of our areas as a problem. I came back and met with our program staff and learned that we can correct most of those problems through administrative processes which we are currently working on.

Mr. DURBIN. Good.

FMHA REGULATIONS

Ms. LONGINO. As far as the elderly ladies, I doubt seriously if most of those elderly ladies understood that that was the type of paper they were signing. And I would like to say that we at Farmers Home will be happy to present you with those responses because these are things that we are already looking at. We are also talking about being able to establish a method where we will be able to meet with Congress, meet with the members of the subcommittee, and talk about what is happening in their areas that is a result of an overburden of paperwork and undue regulations. Many of our regulations are inconsistent with what Congress really wants for its constituents. And we would like to be more in line with providing that service to their constituents rather than spending a lot of time reviewing regulations and rewriting regulations.

Mr. DURBIN. Well, God willing, if we are both back here a year from now. I want to address this issue again and let us see what we have been able to accomplish.

Ms. LONGINO. Thank you.

UNSUBSIDIZED HOUSING LOANS

Mr. DURBIN. Ms. Longino, for the first time in many years we see that there are some significant increases proposed for Farmers Home programs, in particular the rural housing programs. But, we do note that the direct lending 502 program for unsubsidized loans has been eliminated. Could you tell us how many applications were

on hand at the end of fiscal year 1992, and how many loans were made during fiscal year 1992?

Ms. LONGINO. There has been some confusion about the unsubsidized direct Section 502 loan subprogram. An estimate for the unsubsidized portion of the Section 502 direct loan program has been included in the FY 1994 President's Budget. The unsubsidized subprogram has been estimated to be $60,800,000 of the $1,574,575,000 requested baseline level.

Your Committee has had a history of indicating the Committee's recommended level of unsubsidized loans in its report language or tables. The Agency has honored the Committee's guidance in the past and will continue to do so in the future.

For the purposes of Credit Reform subsidy calculations and subsequent budget execution, it is the Agency's opinion that the unsubsidized subprogram should be considered a part of the overall direct Section 502 loan program and not be considered a separate loan program.

The loan activity recorded in FY 1992 for the nonsubsidized Section 502 loan categories of loan servicing and loan making totaled 2,071 loans for $30,949,500. Information on loan applications on hand is not captured for unsubsidized loans separately.

TRANSFER TO RDA

Mr. DURBIN. The 1992 Housing Act included a provision that prohibited the transferring of rural housing programs authorized under title V of the Housing Act to the Rural Development Administration. Do you know of any proposals within the Department to transfer the housing programs to RDA? Can you describe how these programs would work, including how RDA would provide delivery of its programs for rural housing?

Ms. LONGINO. The Department has been receptive to ideas that would offer improved service to rural residents in a more cost effective manner in relation to its rural housing programs. However, at present, the Department has not officially decided on any specific proposals.

SUBSIDIZED HOUSING SET ASIDE

Mr. DURBIN. What percentage of the 502 subsidized housing loans are set aside for the very low-income families or persons?

Ms. LONGINO. The Housing and Community Development Technical Amendments Act of 1984 set forth the requirement that not less than 40 percent of appropriated Section 502 housing funds be set aside and made available for very low-income families.

DIRECT HOUSING LOANS

Mr. DURBIN. Are all of the people who qualify for direct subsidized 502 loans able to qualify for guaranteed loans?

Ms. LONGINO. No, the guaranteed program guarantees loans to low- to moderate-income persons which are made at market interest rates. The 502 direct program has interest credit available which can lower the borrower's interest rate to as low as one percent to make the loan payments affordable by low- and very low-income residents.

SUBSIDY RATES

Mr. DURBIN. For the record, would you please provide a table which lists the subsidy rates for fiscal years 1992, 1993, and 1994 for each of your loan programs?

Ms. LONGINO. I will provide the information for the record.

[The information follows:]

SUMMARY OF SUBSIDY RATES BY APPROPRIATION CATEGORY

[In percent]

	1992 actual (reestimate)	1993 budget rate	1994 President's budget
AGRICULTURAL CREDIT INSURANCE FUND			
Direct Loans:			
Farm ownership, regular rate	3.81	3.30	3.47
Farm ownership, limited resource	29.88	25.03	21.64
Farm operating, 1 year, regular rate	9.57	8.69	8.24
Farm operating, 7 year, regular rate	15.28	23.82	16.29
Farm operating, 1 year, limited resource	11.47	9.49	9.35
Farm operating, 7 year, limited resource	30.09	26.39	20.47
Emergency disaster	20.26	25.63	26.06
Indian land acquisition	25.20	21.32	19.70
Soil and water	8.12	18.35	15.95
Credit sales of acquired property	29.82	24.84	15.40
Guaranteed Loans:			
Farm ownership, unsubsidized	4.89	4.53	3.75
Farm ownership, subsidized	([1])	17.49	33.00
Farm operating, 1 year, unsubsidized	0.66	1.03	0.21
Farm operating, 7 year, unsubsidized	2.05	1.46	0.88
Farm operating, 1 year, subsidized	4.02	4.63	7.47
Farm operating, 7 year, subsidized	12.07	12.21	14.65
Soil and Water, unsubsidized	1.87	3.12	2.16
RURAL HOUSING INSURANCE FUND			
Section 502:			
Direct housing	27.16	20.96	20.02
Guaranteed unsubsidized	1.57	1.83	1.64
Section 515—Rental housing loans	60.36	52.73	39.06
Section 504—Very low income housing repairs	56.82	39.90	57.39
Section 514—Farm labor housing	49.26	48.29	51.50
Section 524—RH site development	([2])	−3.89	−2.83
Credit Sales of Acquired Property	17.39	13.52	15.22
Self-Help Housing Land Development	1.72	2.75	1.83
Agricultural Resource Conservation Demonstration	51.95	53.00	52.96

[1] This program was not included in the 1993 Appropriation.
[2] This program was not reestimated because no loans were disbursed in FY 1992.

CONSOLIDATION

Mr. DURBIN. We are all aware of the Secretary's proposal for massive reorganization for a Farm Service Agency, and in doing so, we know that many offices would be closed and relocated and personnel would have to be moved. We note in your object class table that the increase for "Transportation of Other Things" from 1993 to 1994 is approximately $500,000. Have costs for reorganization been included in this year's budget proposal? Are you able at this time to give us the plans for the Farmers Home Administration in terms of reorganization down to the county level?

Ms. LONGINO. The costs to reorganize the Agencies have been include din the Fiscal Year 1994 President's Budget Proposal. Secretary Espy has not, as of this date, completed the design of the new Farm Service Agency. He is presently assembling a team of advisors to determine how best to proceed. We will keep your Committee advised.

OBJECT CLASS TABLE

Mr. DURBIN. Please provide us a breakout of the object class table for "Other Services" for fiscal years 1992, 1993, and 1994.

Ms. LONGINO. The object class table shown in the explanatory notes is a consolidated report for all FmHA Accounts. A breakout of the object class table for "Other Services" for fiscal years 1992, 1993, and 1994 is provided for the record.

[The information follows:]

	Fiscal year—		
	1992 actual	1993 estimate	1994 estimate
USDA Computer Centers	$12,396,880	$14,773,000	$14,343,000
Equipment Maintenance	19,800,535	23,409,000	14,927,000
Contracts and Agreements	23,334,766	29,647,000	41,811,000
Training	5,457,849	4,798,000	4,446,000
All Other	4,757,544	8,658,000	5,492,000
Subtotal Salaries and Expenses	65,747,574	81,285,000	81,019,000
Non Recoverable Program Loan Costs:			
Agriculture Credit Insurance Fund	25,588,000	14,467,000	14,412,000
Rural Housing Insurance Fund	37,118,000	22,265,000	22,180,000
Rural Development Insurance Fund	139,000		
Liquidating Accounts for Loans prior to FY 1992:			
Agricutlural Credit	64,335,000	61,400,000	47,600,000
Rural Housing Insurance Fund	54,423,000	5,960,000	5,730,000
Self Help Housing Program Account	0	0	9,000
Total other services	245,350,574	185,377,000	170,950,000

Mr. DURBIN. We see that object class 25.1 for "Consulting Services" went from $40,000 in fiscal year 1992 to over $200,000 in fiscal year 1993. What caused this significant increase?

Ms. LONGINO. The $40,000 for object class 25.1 in fiscal year 1992 was a proration of expenses not specifically identified. The $203,000 in fiscal year 1993 is for a variety of services, such as unemployment cost control, proposed disposition of EEO complaints, analysis of civil rights complaints, facilitation services, employee assistance program, financial analysis, health care training, and a model to support budget accounting.

COMPUTER PURCHASES

Mr. DURBIN. We see that your "Equipment" line for object class 33 went from $11,000,000 to over $14,000,000 from 1992 to 1993. As part of the Secretary's Farm Service Agency reorganization, it is our understanding that he has put a halt to all new computer purchases. Are computer purchases for fiscal year 1993 still proposed as part of that $14,000,000? If so, how much?

Ms. Longino. Although new computer purchases have been put on hold, we continue to review and revise our short and long-term computer needs. Approximately $10.5 million was budgeted for equipment replacement in fiscal year 1993. No major expenditures for computer equipment have been made—as of February, less than $40,000 had been obligated to cover critical needs for the Agency.

Mr. Durbin. When do you anticipate the freeze on computer purchases to be lifted?

Ms. Longino. There is no explicit freeze on computer equipment. However, the contract for the purchase of equipment expired in 1992. In order to replace this contract several plans will have to be completed such as the information systems plan. When specific needs are required and can be justified computer equipment can be obtained. We are participating in Infoshare which will consist of several contracts and allow the procurement of computer equipment. Expenditures for computer equipment during FY 1994 will be necessary to meet critical immediate needs of the Agency and to support the Department's Infoshare project.

TRAINING COSTS

Mr. Durbin. What was the cost of your total agency-wide training program in fiscal years 1992, 1993, and 1994?

Ms. Longino. The fiscal year 1992 actual total training costs for the Agency were $12,939,000. We estimate for fiscal year 1993 our training will cost approximately $15,721,000 and we have budgeted for fiscal year 1994 a training plan of $15,000,000.

NATIONAL APPEALS

Mr. Durbin. How many appeals did the National Appeals Staff receive during fiscal year 1993?

Ms. Longino. As of April 23, 1993, the National Appeals Staff had received 5,130 appeal requests.

Mr. Durbin. How many of these were reversed or decided in favor of the appellant?

Ms. Longino. From October 1, 1992 to April 23, 1993, 967 cases were decided in the appellants' favor at the hearing stage, 11 at the State Director review stage, and 96 by the Director, National Appeals Staff.

Mr. Durbin. A recent GAO study related to final resolution of farm loan or servicing appeals indicated that approximately 41% of all appellants received all or part of the loan that they had requested after having gone through the appeals process. On the surface, this appears to be a significant percentage. Can you explain for us why so many of the decisions are remanded back to the Agency?

Ms. Longino. The GAO audit focused on implementation of reversal appeal decisions and did not examine why the loans were denied in the first place or why the reversal rate in appeal was so high. We have not done an in-depth study on these cases, but we can offer some explanations. The appeal process does afford applicants a chance to evaluate why their loan was denied, consult with financial and/or legal advisors, and come to an appeal hearing pre-

pared to defend or correct those areas of their application that may have been considered weak or lacking at the outset. The application package emerging from the appeal process is frequently superior to the one initially filed at the FmHA County Office.

Also, the GAO audit covered the first 2½ years that the National Appeals Staff (NAS) was in existence. NAS, as an independent adjudicator, held FmHA decision makers to a higher standard of proof and documentation than the previous in-house appeal system. The high reversal rate reflects that learning curve.

OPERATING LOANS—DIRECT

Mr. DURBIN. We note from a recent obligation report supplied to the Committee that as of April 6, approximately only 30 percent of direct operating loan had been made. Considering the time of the year and this is when most farmers begin their plantings, why is it such a small percentage of funds have been obligated against that account?

Ms. LONGINO. Low interest rates make guaranteed or commercial credit more available to many farmers. However, the percentage of direct operating loans currently obligated is approximately the same as last fiscal year at this point in time. In recent fiscal years, FmHA has been in a transitional period in shifting from direct to guaranteed lending. Aggressive efforts are being made by FmHA field staffs to promote the guaranteed loan program. Thus, FmHA is meeting the needs of eligible applicants for credit through expanded use of the guaranteed operating program. Direct operating loans are being made in situations when applicants are unable to secure credit from a conventional lending source, with or without an FmHA guarantee.

Mr. DURBIN. Of the total amount available to you for direct operating loans, how much was obligated?

Ms. LONGINO. Of the $850 million appropriated for 1992. $570,736,550 was obligated.

Mr. DURBIN. We note that you are requesting $28,748,000 less for direct operating loans than you had in FY 1993. How many requests for direct operating loans did you have in FY 1993? Were all of them able to be filed?

Ms. LONGINO. So far in fiscal year 1993 we have received 7,598 complete applications for direct operating loans. As of March 31, 1993, we have obligated 5,915 direct operating loans totalling $248,578,600. Some applications are still being processed. Our unobligated direct operating loan allocation is $576,421,400. We anticipate having sufficient direct operating funding in fiscal year 1993 to meet the demand of eligible applicants.

Mr. DURBIN. Last year, when Mr. Ausman was testifying, he indicated there were some areas of the country where banks were not interested in making guaranteed loans. Please provide us with a listing of guaranteed and direct operating loans made by each state in fiscal year 1992 and also indicate which states aren't overly interested in making guaranteed loans.

Ms. LONGINO. Final direct and guaranteed operating loan obligations for fiscal year 1992 will be submitted, for the record. Also, an

analysis of these obligations indicate that some states have had some problems in generating bank interest in guaranteed farmer program loans compared with Direct Loans. Those states are Alabama, Arizona, Massachusetts, Maine, New Jersey, New York, North Dakota, Pennsylvania, Utah, New Hampshire, Virginia.

Bank interest was determined by calculating guaranteed operating loan obligations as a percent of total operating loan obligations. These States were under 50 percent.

[The information follows:]

Fiscal Year 1992 - Final Obligations ($000)

	Guar. OL	Direct OL	Guar./(Guar+Direct)
AL	$8,565	$8,838	49.2%
AK	$0	$0	0.0%
AZ	$1,497	$1,604	48.3%
AR	$29,338	$21,392	57.8%
CA	$26,313	$15,536	62.9%
CO	$24,839	$7,116	77.7%
DE	$389	$522	42.7%
MD	$1,926	$1,197	61.7%
FL	$5,118	$3,234	61.3%
GA	$34,425	$9,012	79.3%
HI	$0	$685	0.0%
WPT	$0	$0	0.0%
ID	$24,897	$12,278	67.0%
IL	$52,679	$15,869	76.8%
IN	$34,762	$14,454	70.6%
IA	$86,228	$28,472	75.2%
KS	$43,966	$14,757	74.9%
KY	$15,656	$9,160	63.1%
LA	$67,366	$21,736	75.6%
ME	$2,861	$4,858	37.1%
MA	$1,181	$1,486	44.3%
CN	$715	$410	63.6%
RI	$150	$14	91.5%
MI	$27,269	$13,347	67.1%
MN	$58,058	$29,259	66.5%
MS	$51,851	$29,601	63.7%
MO	$34,109	$8,229	80.6%
MT	$9,216	$4,832	65.6%
NE	$48,117	$15,577	75.5%
NJ	$953	$3,340	22.2%
NM	$7,203	$6,052	54.3%
NY	$10,765	$11,816	47.7%
NC	$15,220	$11,301	57.4%
ND	$22,638	$24,660	47.9%
OH	$16,627	$6,245	72.7%
OK	$36,175	$20,427	63.9%
OR	$11,520	$5,447	67.9%
PA	$12,440	$25,236	33.0%
PR	$350	$1,902	15.5%
SC	$11,612	$8,673	57.2%
SD	$34,106	$9,004	79.1%
TN	$22,563	$10,226	68.8%
TX	$126,668	$92,894	57.7%
UT	$3,674	$6,411	36.4%
NV	$1,958	$1,821	51.8%
VT	$5,801	$2,748	67.9%
NH	$68	$740	8.4%
VI	$0	$7,500	0.0%
VA	$3,103	$4,811	39.2%
WA	$20,561	$9,267	68.9%
WV	$3,898	$2,566	60.3%
WI	$40,089	$9,304	81.2%
WY	$8,411	$2,358	78.1%

INSURED OPERATING ALLOCATION USAGE
FISCAL YEAR 1992

	INSURED OPERATING INITIAL ALLOCATION	INSURED OPERATING FINAL OBLIGATIONS	% INITIAL ALLOCATION OBLIGATED
ALABAMA	12,825,000	8,838,680	68.9%
ALASKA	200,000	0	0.0%
ARIZONA	3,278,000	1,604,970	49.0%
ARKANSAS	24,967,000	21,392,840	85.7%
CALIFORNIA	27,640,000	15,536,840	56.2%
COLORADO	10,283,000	7,116,210	69.2%
DELAWARE	1,823,000	522,650	28.7%
MARYLAND	3,187,000	1,197,560	37.6%
FLORIDA	7,783,000	3,234,915	41.6%
GEORGIA	15,949,000	9,012,130	56.5%
HAWAII	2,640,000	685,870	26.0%
W.PAC.TERR.	200,000	0	0.0%
IDAHO	14,088,000	12,278,880	87.2%
ILLINOIS	30,753,000	15,869,110	51.6%
INDIANA	24,157,000	14,454,240	59.8%
IOWA	45,423,000	28,472,330	62.7%
KANSAS	28,345,000	14,757,945	52.1%
KENTUCKY	19,080,000	9,160,618	48.0%
LOUISIANA	32,045,000	21,736,230	67.8%
MAINE	5,535,000	4,858,170	87.8%
MASSACHUSETTS	3,280,000	1,486,470	45.3%
CONNECTICUT	1,570,000	410,150	26.1%
RHODE ISLAND	1,223,000	14,200	1.2%
MICHIGAN	19,560,000	13,347,120	68.2%
MINNESOTA	41,971,000	29,259,975	69.7%
MISSISSIPPI	38,751,000	29,601,305	76.4%
MISSOURI	19,424,000	8,229,920	42.4%
MONTANA	10,240,000	4,832,500	47.2%
NEBRASKA	30,281,000	15,557,920	51.4%
NEW JERSEY	2,988,000	3,340,320	111.8%
NEW MEXICO	6,583,000	6,052,970	91.9%
NEW YORK	19,094,000	11,816,700	61.9%
NORTH CAROLINA	18,078,000	11,301,250	62.5%
NORTH DAKOTA	32,101,000	24,660,590	76.8%
OHIO	21,372,000	6,245,230	29.2%
OKLAHOMA	28,224,000	20,427,590	72.4%
OREGON	10,032,000	5,447,710	54.3%
PENNSYLVANIA	21,140,000	25,236,830	119.4%
PUERTO RICO	3,500,000	1,902,150	54.3%
SOUTH CAROLINA	11,981,000	8,673,350	72.4%
SOUTH DAKOTA	14,283,000	9,004,230	63.0%
TENNESSEE	24,260,000	10,226,290	42.2%
TEXAS	91,945,000	92,894,311	101.0%
UTAH	6,198,000	6,411,800	103.4%
NEVADA	2,132,000	1,821,270	85.4%
VERMONT	3,534,000	2,748,360	77.8%
NEW HAMPSHIRE	2,159,000	740,480	34.3%
VIRGIN ISLANDS	200,000	7,500	3.8%
VIRGINIA	12,025,000	4,811,100	40.0%
WASHINGTON	13,474,000	9,267,010	68.8%
WEST VIRGINIA	5,248,000	2,566,850	48.9%
WISCONSIN	18,713,000	9,304,050	49.7%
WYOMING	4,235,000	2,358,870	55.7%
NATIONAL TOTAL	850,000,000	570,736,559	67.1%

GUARANTEED FARM OPERATING ALLOCATION USAGE
FISCAL YEAR 1992

	GUARANTEED OPERATING INITIAL ALLOCATION	GUARANTEED OPERATING FINAL OBLIGATIONS	% INITIAL ALLOCATION OBLIGATED
ALABAMA	29,500,000	8,565,451	29.0%
ALASKA	800,000	0	0.0%
ARIZONA	11,451,000	1,497,870	13.1%
ARKANSAS	40,593,000	29,338,263	72.3%
CALIFORNIA	78,541,000	26,313,575	33.5%
COLORADO	28,471,000	24,839,696	87.2%
DELAWARE	7,195,000	389,650	5.4%
MARYLAND	15,618,000	1,926,100	12.3%
FLORIDA	27,892,000	5,118,541	18.4%
GEORGIA	33,754,000	34,425,632	102.0%
HAWAII	9,484,000	0	0.0%
W.PAC.TERR.	800,000	0	0.0%
IDAHO	26,145,000	24,897,540	95.2%
ILLINOIS	104,944,000	52,679,695	50.2%
INDIANA	66,209,000	34,762,794	52.5%
IOWA	133,878,000	86,228,996	64.4%
KANSAS	70,912,000	43,966,795	62.0%
KENTUCKY	60,587,000	15,656,047	25.8%
LOUISIANA	24,760,000	67,366,403	272.1%
MAINE	9,676,000	2,861,064	29.6%
MASSACHUSETTS	8,314,000	1,181,000	14.2%
CONNECTICUT	6,892,000	715,200	10.[illegible]%
RHODE ISLAND	4,795,000	150,000	3.1%
MICHIGAN	40,716,000	27,269,540	67.0%
MINNESOTA	89,573,000	58,058,779	64.8%
MISSISSIPPI	28,194,000	51,851,710	183.9%
MISSOURI	82,896,000	34,109,350	41.1%
MONTANA	32,497,000	9,216,220	28.4%
NEBRASKA	79,533,000	48,117,990	60.5%
NEW JERSEY	10,347,000	953,420	9.2%
NEW MEXICO	14,218,000	7,203,637	50.7%
NEW YORK	35,010,000	10,765,186	30.7%
NORTH CAROLINA	44,231,000	15,220,747	34.4%
NORTH DAKOTA	48,561,000	22,638,003	46.6%
OHIO	67,875,000	16,627,585	24.5%
OKLAHOMA	53,605,000	36,175,728	67.5%
OREGON	25,731,000	11,520,154	44.8%
PENNSYLVANIA	46,277,000	12,440,150	26.9%
PUERTO RICO	3,300,000	350,000	10.6%
SOUTH CAROLINA	19,123,000	11,612,089	60.7%
SOUTH DAKOTA	46,252,000	34,106,656	73.7%
TENNESSEE	49,784,000	22,563,351	45.3%
TEXAS	133,683,000	126,668,510	94.8%
UTAH	14,706,000	3,674,455	25.0%
NEVADA	7,058,000	1,958,225	27.7%
VERMONT	10,663,000	5,801,579	54.4%
NEW HAMPSHIRE	8,192,000	68,000	0.8%
VIRGIN ISLANDS	800,000	0	0.0%
VIRGINIA	35,390,000	3,103,550	8.8%
WASHINGTON	30,444,000	20,561,293	67.5%
WEST VIRGINIA	19,314,000	3,898,610	20.2%
WISCONSIN	77,787,000	40,089,495	51.5%
WYOMING	15,569,000	8,411,260	54.0%
NATIONAL TOTAL	1,972,540,000	1,107,915,584	56.2%

OPERATING LOAN GUARANTEED

Mr. DURBIN. Also please provide for the record the number and dollar amount of subsidized guaranteed operating loans made by each state in fiscal years 1991 and 1992, and to date in fiscal year 1993.

Ms. LONGINO. I'll be glad to provide that.

[The information follows:]

Subsidized Guaranteed Operating Loans
Obligated Fiscal Year 1991

State	Number of Loans	Amount
Alabama	0	0
Alaska	0	0
Arizona	1	$100,000
Arkansas	0	0
California	3	525,000
Colorado	4	370,000
Delaware	0	0
Florida	2	281,050
Georgia	9	1,897,270
Hawaii	0	0
Idaho	20	2,268,690
Illinois	184	16,876,560
Indiana	30	3,671,330
Iowa	173	13,680,310
Kansas	137	13,294,640
Kentucky	44	2,809,710
Louisiana	9	858,250
Maine	4	541,500
Maryland	1	165,000
Massachusetts	2	185,000
Michigan	76	9,855,360
Minnesota	115	12,818,030
Mississippi	10	1,367,900
Missouri	116	9,705,290
Montana	51	6,577,360
Nebraska	73	9,075,930
New Hampshire	3	137,000
New Jersey	14	2,105,000
New Mexico	8	951,500
New York	47	6,424,920
North Carolina	2	305,500
North Dakota	141	12,785,940
Ohio	21	2,304,780
Oklahoma	34	4,455,690
Oregon	0	0
Pennsylvania	25	4,448,470
Puerto Rico	0	0
South Carolina	3	361,930
South Dakota	101	9,069,970
Tennessee	13	1,198,300
Texas	17	2,597,670
Utah	3	797,000
Vermont	8	544,380
Virginia	6	612,880
Washington	5	993,000
West Virginia	20	2,101,210
Wisconsin	144	16,581,760
Wyoming	4	687,020
U.S. Totals	1,682	$176,288,100

Subsidized Guaranteed Operating Loans
Obligated Fiscal Year 1992

State	Number of Loans	Amount
Alabama	2	$215,000
Alaska	0	0
Arizona	0	0
Arkansas	0	0
California	4	883,080
Colorado	12	1,871,920
Delaware	0	0
Florida	2	187,860
Georgia	1	138,000
Hawaii	0	0
Idaho	8	664,120
Illinois	105	8,893,820
Indiana	75	7,786,040
Iowa	164	14,181,750
Kansas	103	10,957,060
Kentucky	21	1,438,000
Louisiana	13	2,528,590
Maine	0	0
Maryland	2	47,000
Massachusetts	0	0
Michigan	36	4,813,200
Minnesota	156	16,725,850
Mississippi	2	93,630
Missouri	172	13,798,500
Montana	25	2,595,470
Nebraska	127	13,296,930
Nevada	2	127,380
New Hampshire	0	0
New Jersey	8	600,000
New Mexico	8	837,950
New York	10	1,956,000
North Carolina	2	101,000
North Dakota	117	10,517,030
Ohio	23	3,318,400
Oklahoma	45	7,671,290
Oregon	2	369,270
Pennsylvania	23	2,974,520
Puerto Rico	0	0
South Carolina	0	0
South Dakota	56	5,347,650
Tennessee	25	2,586,910
Texas	14	2,045,730
Utah	3	420,000
Vermont	15	1,653,860
Virginia	5	496,300
Washington	0	0
West Virginia	17	1,378,400
Wisconsin	46	7,625,470
Wyoming	1	70,000
U.S. Totals	1,452	$151,212,980

Subsidized Guaranteed Operating Loans
Obligated Fiscal Year 1993
As Of 3/31/93

State	Number of Loans	Amount
Alabama	1	$256,750
Alaska	0	0
Arizona	0	0
Arkansas	0	0
California	1	400,000
Colorado	3	162,000
Delaware	0	0
Florida	3	505,000
Georgia	1	200,000
Hawaii	0	0
Idaho	2	169,000
Illinois	46	3,579,090
Indiana	7	794,000
Iowa	65	6,890,550
Kansas	57	5,666,510
Kentucky	15	1,185,700
Louisiana	16	2,147,400
Maine	1	25,000
Maryland	0	0
Massachusetts	0	0
Michigan	5	1,527,050
Minnesota	19	2,193,400
Mississippi	0	0
Missouri	18	2,002,280
Montana	7	562,100
Nebraska	31	3,217,890
New Hampshire	0	0
New Jersey	2	395,800
New Mexico	1	98,000
New York	14	1,550,070
North Carolina	0	0
North Dakota	47	4,802,160
Ohio	5	767,790
Oklahoma	28	5,085,780
Oregon	0	0
Pennsylvania	9	910,040
Puerto Rico	0	0
South Carolina	0	0
South Dakota	26	2,042,000
Tennessee	2	83,930
Texas	6	684,590
Utah	0	0
Vermont	3	610,000
Virginia	1	53,000
Washington	0	0
West Virginia	8	422,160
Wisconsin	23	3,796,150
Wyoming	2	343,770
U.S. Totals	475	$53,128,960

OPERATING LOANS UNSUBSIDIZED

Mr. DURBIN. Also provide the same information for the guaranteed unsubsidized loans.

Ms. LONGINO. I'll supply that for the record.

[The information follows:]

Unsubsidized Guaranteed Operating Loans
Obligated Fiscal Year 1991

State	Number of Loans	Amount
Alabama	77	$7,488,520
Alaska	0	0
Arizona	16	4,382,650
Arkansas	325	37,509,280
California	191	27,780,600
Colorado	100	11,289,230
Connecticut	5	1,016,910
Delaware	10	541,060
Florida	37	3,779,710
Georgia	382	45,849,160
Hawaii	0	0
Idaho	183	23,896,030
Illinois	449	32,481,570
Indiana	168	13,353,390
Iowa	846	49,913,610
Kansas	409	31,071,990
Kentucky	321	16,758,300
Louisiana	646	74,168,000
Maine	7	450,000
Maryland	35	1,925,540
Massachusetts	19	2,382,540
Michigan	171	16,403,490
Minnesota	367	25,607,820
Mississippi	329	55,947,430
Missouri	277	19,666,010
Montana	103	8,802,930
Nebraska	327	26,236,730
Nevada	19	2,950,270
New Hampshire	4	151,000
New Jersey	14	1,949,990
New Mexico	37	5,474,950
New York	93	7,268,600
North Carolina	257	20,587,070
North Dakota	115	10,241,770
Ohio	180	16,443,150
Oklahoma	174	23,453,810
Oregon	56	6,729,060
Pennsylvania	75	5,700,020
Rhode Island	1	8,000
Puerto Rico	8	478,000
South Carolina	161	14,256,290
South Dakota	291	17,611,500
Tennessee	206	19,472,370
Texas	992	115,082,790
Utah	34	3,845,350
Vermont	48	3,933,550
Virginia	32	2,732,220
Washington	147	18,730,970
West Virginia	33	2,664,640
Wisconsin	173	12,361,660
Wyoming	75	8,065,280
U.S. Totals	9,025	$858,894,810

Unsubsidized Guaranteed Operating Loans
Obligated Fiscal Year 1992

State	Number of Loans	Amount
Alabama	76	$8,350,440
Alaska	0	0
Arizona	8	1,497,870
Arkansas	245	29,338,250
California	172	25,430,490
Colorado	203	22,967,710
Connecticut	9	715,200
Delaware	11	389,650
Florida	34	4,930,680
Georgia	269	34,287,590
Hawaii	0	0
Idaho	171	24,233,370
Illinois	504	43,785,850
Indiana	293	26,976,730
Iowa	1,045	72,047,170
Kansas	410	33,009,700
Kentucky	233	14,218,040
Louisiana	583	64,837,770
Maine	24	2,861,030
Maryland	25	1,879,100
Massachusetts	8	1,181,000
Michigan	218	22,456,340
Minnesota	486	41,332,900
Mississippi	295	51,758,060
Missouri	258	20,310,840
Montana	66	6,620,750
Nebraska	398	34,821,060
Nevada	17	1,830,850
New Hampshire	2	68,000
New Jersey	7	353,420
New Mexico	51	6,365,670
New York	106	8,809,180
North Carolina	172	15,119,750
North Dakota	142	12,120,940
Ohio	166	13,309,180
Oklahoma	213	28,504,430
Oregon	67	11,150,880
Pennsylvania	109	9,465,620
Rhode Island	2	150,000
Puerto Rico	4	350,000
South Carolina	106	11,612,080
South Dakota	403	28,758,980
Tennessee	205	19,976,420
Texas	1,020	124,622,750
Utah	37	3,254,450
Vermont	48	4,147,710
Virginia	40	2,607,250
Washington	134	20,561,280
West Virginia	27	2,520,210
Wisconsin	326	32,464,010
Wyoming	76	8,341,260
U.S. Totals	9,524	$956,701,910

Unsubsidized Guaranteed Operating Loans
Obligated Fiscal Year 1993
As of 3/31/93

State	Number of Loans	Amount
Alabama	34	$3,332,730
Alaska	0	0
Arizona	2	398,750
Arkansas	79	10,536,030
California	98	14,700,650
Colorado	95	9,412,450
Connecticut	10	572,500
Delaware	6	235,510
Florida	47	5,238,750
Georgia	165	20,821,710
Hawaii	0	0
Idaho	50	8,020,360
Illinois	137	12,176,690
Indiana	83	6,765,280
Iowa	262	18,816,280
Kansas	147	11,065,400
Kentucky	92	4,936,890
Louisiana	355	37,186,260
Maine	0	0
Maryland	15	1,469,420
Massachusetts	7	1,200,320
Michigan	104	9,819,430
Minnesota	170	15,717,180
Mississippi	110	21,063,770
Missouri	61	3,796,270
Montana	39	3,137,170
Nebraska	135	12,339,270
Nevada	11	1,452,610
New Hampshire	6	452,200
New Jersey	6	476,200
New Mexico	23	3,725,770
New York	79	7,938,790
North Carolina	97	10,431,200
North Dakota	44	4,311,660
Ohio	40	4,172,900
Oklahoma	137	17,569,770
Oregon	22	3,981,320
Pennsylvania	50	4,767,210
Rhode Island	0	0
Puerto Rico	3	300,000
South Carolina	47	6,024,290
South Dakota	221	13,988,220
Tennessee	54	5,243,490
Texas	427	54,684,260
Utah	15	1,571,340
Vermont	33	3,061,780
Virginia	28	2,438,120
Washington	84	12,097,790
West Virginia	17	1,373,500
Wisconsin	118	11,709,760
Wyoming	52	5,916,780
U.S. Totals	3,917	$410,448,030

PERSONNEL PERFORMANCE STANDARDS

Mr. DURBIN. Does the Farmers Home Administration have anything in its performance standards for state directors that encourage them to make guaranteed loans versus direct loans?

Ms. LONGINO. The following two performance goals for the 1992/1993 rating period were established to promote the use of the guaranteed program:

First, 80 percent of total loan obligations made between 7/1/92 and 6/30/93 will be guaranteed.

Second, move 4.2 percent of total existing insured borrower caseload as of June 30, 1992, to other credit by June 30, 1993.

These goals were set to encourage transition from direct to guaranteed lending, consistent with the intent of Congress. However, it has come to our attention that in some case, these goals may have had the effect of discouraging FmHA field staff from processing direct loans for those applicants who truly need direct loans. While we remain committed to using the guaranteed loan program, we are also committed to ensuring that direct FmHA credit will be available to those who need it. New performance goals will emphasize a balance between guaranteed loan emphasis and outreach to those who need direct assistance, rather than a focus only on guaranteed credit.

DIRECT OPERATING LOAN

Mr. DURBIN. Please provide for the record the number and dollar amount of direct operating loans, by year, for the last ten years.

Ms. LONGINO. I will be glad to.

[The information follows]:

FARMERS HOME ADMINISTRATION DIRECT FARM OPERATING LOANS OBLIGATED FY 1983 THROUGH FY 1993

[Dollars in thousands]

Fiscal year	Number of loans	Amount
1983	56,072	$1,685,000
1984	59,202	1,959,710
1985	76,505	3,599,968
1986	49,474	2,203,165
1987	32,096	1,298,281
1988	23,167	899,501
1989	20,517	856,018
1990	16,600	733,291
1991	10,679	489,890
1992	13,784	570,737
1993 thru 3/31/93	5,915	248,579

RESCHEDULING LOANS

Mr. DURBIN. Please provide for the record a table showing the number of farms assisted, by State, through rescheduling, consolidation, or reamortization by deferral or by interest buydown for Fiscal Year 1992.

Ms. LONGINO. The following information is submitted for the record. In addition, the Interest Rate Buydown Program has been

replaced by the Interest Assistance Program. Interest buy-down program is only available in fiscal year 1992 to service farmer program guaranteed loans that were obligated prior to October 1, 1991.

[The information follows:]

State	Borrowers rescheduled consolidated reamortized	Deferrals	Interest assistance only obligations
Alabama	67	16	1
Alaska	0	0	0
Arizona	7	15	0
Arkansas	184	8	0
California	90	18	1
Colorado	125	12	1
Delaware	0	0	0
Florida	125	23	7
Georgia	117	45	0
Hawaii	11	2	0
Idaho	110	84	0
Illinois	191	17	79
Indiana	180	66	8
Iowa	807	56	119
Kansas	251	190	73
Kentucky	149	19	11
Louisiana	330	4	0
Maine	103	13	4
Maryland	24	56	0
Massachusetts	12	0	1
Michigan	160	38	36
Minnesota	269	27	49
Mississippi	231	26	1
Missouri	290	117	87
Montana	123	23	22
Nebraska	165	17	46
Nevada	4	2	0
New Hampshire	17	12	3
New Jersey	51	11	2
New Mexico	47	7	1
New York	166	47	3
North Carolina	120	21	5
North Dakota	349	102	98
Ohio	33	0	1
Oklahoma	235	44	4
Oregon	70	11	3
Pennsylvania	296	53	9
Puerto Rico	94	81	0
Rhode Island	0	0	0
South Carolina	94	13	0
South Dakota	455	32	42
Tennessee	200	31	5
Texas	1,006	117	6
Utah	59	12	7
Vermont	47	26	29
Virgin Islands	0	0	0
Virginia	56	17	4
Washington	73	15	0
West Virginia	59	7	1
Wisconsin	331	116	175
Wyoming	23	6	0
Total	8,008	1,665	944

Mr. DURBIN. Please provide for the record a table showing the same information on a National basis for each of the past 5 years.

Ms. LONGINO. The following information is submitted for the record.

[The table requested follows:]

Number of borrowers assisted with rescheduling, consolidation, reamortization, and/or deferral

Fiscal year:	
1989	17,105
1990	11,903
1991	7,552
1992	8,008
1993	3,895
Total	48,031

Mr. DURBIN. How many of these borrowers are again delinquent?

Ms. LONGINO. I will submit that for the record.

[The information follows:]

Number of borrowers delinquent as of April 2, 1993, who were assisted with rescheduling, consolidation, reamortization, and/or deferral

Fiscal year:	
1989	6,511
1990	4,668
1991	2,677
1992	1,892
1993	374
Total	16,122

INVENTORY FARMS

Mr. DURBIN. How many farms do you currently have in inventory, by State, and what is the total average estimated value of each farm?

Ms. LONGINO. I will need to supply that for the record.

[The information follows:]

STATE	CURRENT MARKET FARMS	VALUE	AVERAGE VALUE BY FARM
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Alabama	4	$ 204,350	$ 51,008
Alaska	1	0	0
Arizona	43	11,283,050	262,397
Arkansas	79	6,298,256	79,725
California	97	20,218,146	208,435
Colorado	105	16,440,482	156,576
Connecticut	2	130,000	65,000
Delaware	1	25,500	25,500
Florida	73	8,617,171	118,043
Georgia	88	9,099,619	103,405
Hawaii	1	86,500	86,500
Idaho	67	6,103,955	91,104
Illinois	34	2,994,076	88,061
Indiana	30	2,313,030	77,101
Iowa	219	30,396,652	138,798
Kansas	91	6,827,960	75,033
Kentucky	13	1,189,700	91,515
Louisiana	74	6,663,270	90,044
Maine	9	724,000	80,444
Maryland	7	1,389,000	198,429
Massachusetts	3	516,000	172,000
Michigan	71	6,866,862	96,716
Minnesota	259	24,888,568	96,094
Mississippi	134	15,858,568	118,348
Missouri	165	13,999,723	84,847
Montana	50	11,478,685	229,574
Nebraska	75	11,928,453	159,046
Nevada	4	374,162	93,540
New Jersey	3	623,000	207,667
New Mexico	37	6,957,991	188,054
New York	86	8,576,406	99,726
North Carolina	95	9,214,652	96,996
North Dakota	151	19,944,790	132,085
Ohio	4	603,000	150,750
Oklahoma	168	16,520,772	98,338
Oregon	47	5,407,375	115,051
Pennsylvania	21	2,134,864	101,660
Puerto Rico	64	4,078,450	63,726
South Carolina	36	5,055,450	140,429
South Dakota	171	17,694,832	103,479
Tennessee	29	3,166,335	109,184
Texas	79	8,009,900	101,391
Utah	7	1,053,100	150,443
Vermont	8	845,000	105,625
Virgin Islands	1	0	0
Virginia	23	2,815,946	122,432
Washington	121	16,906,537	139,724
West Virginia	9	598,000	66,444
Wisconsin	89	6,192,767	69,582
Wyoming	39	6,728,675	172,530
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Total	3,087	$360,043,346	$116,632

Mr. DURBIN. How many farms were sold by inventory, by State, in Fiscal Year 1992?

Ms. LONGINO. The following information is submitted for the record.

[The information follows:]

State	Number of farms sold
Alabama	3
Alaska	0
Arizona	14
Arkansas	17
California	13
Colorado	32
Connecticut	1
Delaware	0
Florida	14
Georgia	42
Hawaii	0
Idaho	12
Illinois	9
Indiana	10
Iowa	44
Kansas	21
Kentucky	13
Louisiana	13
Maine	5
Maryland	1
Massachusetts	2
Michigan	42
Minnesota	53
Mississippi	79
Missouri	55
Montana	4
Nebraska	12
Nevada	3
New Hampshire	0
New Jersey	0
New Mexico	8
New York	18
North Carolina	22
North Dakota	17
Ohio	2
Oklahoma	35
Oregon	8
Pennsylvania	4
Puerto Rico	17
Rhode Island	0
South Dakota	19
Tennessee	55
Texas	6
Utah	4
Vermont	1
Virgin Islands	0
Virginia	15
Washington	25
West Virginia	7
Wisconsin	9
Wyoming	8
Total	834

OPERATIVE LOAN CATEGORY

Mr. DURBIN. For the record, please provide a table showing how much of the FY 1993 loan allocations are provided for each of the

insured farm operating loan programs, such as one-year operating loans, seven-year operating loans, limited resource program, and socially disadvantaged programs, along with any others.

Ms. LONGINO. I will provide a listing of the breakdown of the direct operating allocation by category for the record.

[The information follows:]

Regular rate one-year	$214,000,000
Regular rate seven-year	$124,000,000
Limited resource one-year	$289,000,000
Limited resource seven-year	$198,000,000
Total direct operating allocation	$825,000,000

A portion of the direct operating allocation was targeted for exclusive use by socially disadvantaged applicants. The targeted allocation totalled $29,674,000.

Mr. DURBIN. Provide the same information for guaranteed subsidized and unsubsidized operating loans.

Ms. LONGINO. For the record, I will submit a listing of the breakdown of the guaranteed operating allocations by category:

[The information follows:]

Unsubsidized one-year	$829,000,000
Unsubsidized seven-year	$671,000,000
Total unsubsidized guaranteed operating allocation	$1,500,000,000

The portion of the unsubsidized guaranteed operating allocation targeted for exclusive use by socially disadvantaged applicants is $48,343,000.

Subsidized one-year	$178,766,000
Subsidized seven-year	$59,588,000
Total subsidized guaranteed operating allocation	$238,354,000

The portion of the subsidized guaranteed operating allocation targeted for exclusive use by socially disadvantaged applicants is $10,063,000.

FARM OWNERSHIP LOANS

Mr. DURBIN. Please provide for the record a table showing the number of direct and guaranteed farm ownership loans, by year, for the last ten years.

Mrs. LONGINO. I will be glad to provide that information.

[The information follows:]

FARMERS HOME ADMINISTRATION NUMBER OF FARM OWNERSHIP LOANS, FY 1983 THROUGH FY 1993

	Direct	Guaranteed
Fiscal year:		
1983	10,088	110
1984	8,456	261
1985	7,424	453
1986	4,032	1,265
1987	896	2,137
1988	1,371	2,436
1989	1,172	2,139
1990	949	2,399
1991	641	2,509
1992	447	1,304

NUMBER OF FARMERS HOME ADMINISTRATION FARM OWNERSHIP LOANS, FY 1983 THROUGH FY 1993—Continued

	Direct	Guaranteed
1993 thru 3/31/93	540	1,367

Mr. DURBIN. How many loan applications were on hand at the end of fiscal year 1992?

Ms. LONGINO. The number of direct and guaranteed farm ownership loan applications on hand at the end of fiscal year 1992 was 1,167. Total Farmer Programs applications on hand at the end of FY 1992 was 2,771.

Mr. DURBIN. Please provide for the record a table showing the number and amounts of direct and guaranteed farm ownership Loans made by state in fiscal year 1992.

Ms. LONGINO. I will be glad to provide that information.

[The information follows:]

Farmers Home Administration
Farm Ownership Loan Program
Fiscal Year 1992

	Guaranteed		Direct	
	Number	Amount	Number	Amount
Alabama	34	6,725,770	9	883,000
Alaska	--	--	--	--
Arizona	1	158,390	2	278,000
Arkansas	89	15,224,320	22	1,741,710
California	40	6,137,180	18	2,846,280
Colorado	68	12,551,560	14	1,200,530
Connecticut	3	518,033	1	180,000
Delaware	10	1,728,450	1	185,300
Florida	20	3,437,660	8	798,860
Georgia	84	15,014,940	10	1,204,050
Hawaii	--	--	3	285,000
Idaho	20	3,342,400	9	929,800
Illinois	99	14,632,880	44	4,044,000
Indiana	66	10,059,360	22	2,014,450
Iowa	219	27,518,960	47	6,044,510
Kansas	129	16,530,140	33	2,578,000
Kentucky	84	10,500,170	40	1,864,190
Louisiana	65	13,075,120	6	672,000
Maine	6	906,130	9	608,700
Maryland	16	2,850,900	6	577,170
Massachusetts	8	1,899,000	1	165,000
Michigan	71	12,375,770	16	1,343,170
Minnesota	130	19,051,290	29	3,815,840
Mississippi	221	29,524,650	14	960,920
Missouri	118	15,114,690	22	1,753,610
Montana	41	6,734,120	5	359,000
Nebraska	105	16,442,600	25	2,636,490
Nevada	6	1,120,640	1	200,000
New Hampshire	3	490,000	1	112,000
New Jersey	2	275,800	5	256,600
New Mexico	21	4,393,300	4	234,300
New York	51	7,987,250	21	1,646,900
North Carolina	107	18,673,840	20	1,299,270
North Dakota	93	13,011,060	23	2,151,930
Ohio	54	9,087,810	8	990,350
Oklahoma	106	18,243,590	27	2,909,340
Oregon	12	2,849,500	8	911,500
Pennsylvania	74	13,530,770	17	2,047,000
Rhode Island	1	229,300	1	71,205
South Carolina	30	4,727,840	9	646,600
South Dakota	99	11,306,590	27	1,749,500
Tennessee	59	7,247,350	11	649,160
Texas	72	13,595,850	46	4,226,460
Utah	26	3,796,040	9	710,500
Vermont	45	6,867,930	3	414,190
Virginia	12	1,881,650	15	1,151,890
Washington	30	5,373,590	5	975,000
West Virginia	31	4,040,310	13	708,000
Wisconsin	212	38,293,120	16	1,398,770
Wyoming	14	1,986,250	3	314,500
Puerto Rico	13	1,327,561	20	834,100
Trust Territories	--	--	--	--
Virgin Islands	--	--	1	80,000
Total	2,920	452,391,424	730	66,658,645

EMERGENCY LOANS

Mr. DURBIN. Mrs. Longino, you have indicated that your request for emergency loans will be $121,000,000, yet the demand in fiscal year 1992 was only $75,000,000. Would you please explain why you have an increase in this program when demand didn't cover the amount that you had available for FY 92?

Ms. LONGINO. The purpose of the emergency disaster loan program is to assist eligible applicants affected by natural disasters to continue their farming operations. It is not possible to predict how many occurrences of disaster there will be in the next year, and how many eligible applicants will be affected. It is necessary to request an allocation that will be sufficient to meet the potential credit needs of farmers residing in areas affected by natural disasters. The request for $121 million of emergency credit for fiscal year 94 is deemed adequate to fulfill this need.

Mr. DURBIN. What is your experience so far for fiscal year 1993 with this program?

Ms. LONGINO. To date in fiscal year 1993, $24 million of emergency disaster loans have been obligated.

Mr. DURBIN. For emergency disaster loans, pleases provide for the record a ten-year table showing the actual number and dollar amount of emergency disaster loans made each year for the past ten years.

Ms. LONGINO. I will be glad to provide the requested table for the record.

[The information follows:]

EMERGENCY DISASTER LOANS OBLIGATED FY 1983 THROUGH FY 1993

	Number of loans	Amount
Fiscal year:		
1983	8,771	$565,938,000
1984	34,997	1,051,627,000
1985	14,060	490,877,000
1986	5,584	217,774,000
1987	2,548	113,613,000
1988	554	29,891,000
1989	2,806	73,493,000
1990	2,609	101,510,000
1991	1,181	81,454,000
1992	1,602	74,883,000
1993 thru 3/31/93	286	18,870,000

Mr. DURBIN. How may emergency disaster loans have been made to date in fiscal year 93?

Ms. LONGINO. To date in FY 93, there have been 359 emergency disaster loans obligated.

SOIL AND WATER LOANS

Mr. DURBIN. For the record, please provide a listing of the soil and water direct and guaranteed loans that have been made during Fiscal year 1992, by State.

Ms. LONGINO. The requested information is submitted for the record.

[The information follows:]

State	Loan type	No. of loans	Amount obligated
Alabama	Direct	2	5,500
Arkansas	Direct	11	120,120
	Guaranteed	1	76,000
California	Direct	12	364,980
Colorado	Direct	1	40,100
Georgia	Direct	2	70,320
	Guaranteed	1	12,000
Idaho	Direct	9	187,200
	Guaranteed	1	48,290
Illinois	Direct	2	17,000
Iowa	Direct	3	14,690
Kansas	Direct	5	52,500
	Guaranteed	2	66,000
Kentucky	Direct	4	35,710
Louisiana	Guaranteed	2	80,000
Massachusetts	Direct	6	208,500
Michigan	Direct	1	9,000
Minnesota	Direct	1	4,000
Mississippi	Direct	2	74,000
Missouri	Direct	1	2,500
	Guaranteed	1	37,200
Montana	Direct	2	43,000
Nebraska	Direct	2	21,700
Nevada	Direct	2	61,710
New Hampshire	Direct	2	11,500
New Jersey	Direct	3	42,000
New Mexico	Direct	3	80,500
	Guaranteed	1	46,000
North Carolina	Direct	3	35,600
North Dakota	Direct	1	10,000
Oklahoma	Direct	6	115,120
Oregon	Direct	6	204,500
Pennsylvania	Direct	15	190,600
Tennessee	Direct	1	14,860
	Guaranteed	1	50,000
Texas	Direct	8	141,770
Utah	Direct	4	36,520
Vermont	Direct	6	48,200
	Guaranteed	1	12,000
Virgin Islands	Direct	1	3,500
National totals	Direct	127	2,267,200
	Guaranteed	11	427,490
		138	2,694,690

Mr. DURBIN. How many applications were on hand at the end of fiscal year 1992 for soil and water loans?

Mrs. LONGINO. There was a total of 29 applications on hand for soil and water loans at the end of fiscal year 1992.

Mr. DURBIN. What is the total dollar amount of the applications on hand?

Mrs. LONGINO. The total dollar amount of the 29 applications for soil and water loans was approximately $547,230.

STATE MEDIATION GRANTS

Mr. DURBIN. Please provide for the record a list of all state mediation grants made in fiscal year 1991, 1992 and 1993.

Mrs. LONGINO. The requested list will be provided for the record.

[The list follows:]

State	1991	1992	1993
Alabama	$245,320	$143,402	$171,433
Arkansas	82,500	82,500	82,500
Arizona	0	17,590	17,590
Indiana	39,140	39,140	0
Iowa	273,400	235,800	194,800
Kansas	428,680	425,378	387,769
Minnesota	300,000	300,000	300,000
Montana	60,000	10,000	0
Nebraska	174,590	140,890	157,750
New Mexico	59,500	61,000	117,540
North Dakota	387,080	387,078	389,098
Nevada	0	5,000	5,000
Oklahoma	45,200	58,010	153,800
Oregon	215,870	170,000	52,000
South Dakota	78,280	48,850	45,980
Texas	414,290	413,110	454,421
Utah	8,300	10,000	15,000
Wisconsin	90,300	122,300	136,200
Wyoming	30,000	40,000	20,000
Total	2,932,450	2,710,048	2,700,881

Mr. DURBIN. Are there any new applications for certification of State Mediation programs?

Mrs. LONGINO. Farmers Home Administration has received no new applications requesting certification of state mediation. The states of Michigan and North Carolina have made progress in developing their state mediation programs and are expected to apply for certification this fiscal year and several other states including Louisiana, Maine and New York have made inquiries but have not gotten beyond the initial planning stage. These states will need state legislation in order to proceed further.

Mr. DURBIN. Last year when Mr. Ausman was here, he indicated that several states had discussed with FmHA that they might not be able to receive the state matching funds for the mediation program. Did you, during fiscal year 1993, have any states that reduced their request for mediation grants or eliminated the program entirely?

Mrs. LONGINO. The state of Montana has discontinued their mediation program. The state of Indiana has been recertified but has not requested a mediation grant for fiscal year 1993 but is expected to do so before the end of the fiscal year. Five states, Iowa, Kansas, Oregon, South Dakota and Wyoming reduced their requests for fiscal year 1993 mediation grants. Four states, Arizona, Arkansas, Minnesota, and Nevada requested the same level of grants for fiscal year 1993 that was requested in fiscal year 1992. Eight states, Alabama, Nebraska, New Mexico, North Dakota, Oklahoma, Texas, Utah and Wisconsin requested and received larger grants for fiscal year 1993.

Several of the mediation states including Iowa, Kansas, Minnesota, Nebraska, North Dakota and South Dakota have been working with the U.S. Department of Labor helping dislocated farmers and ranchers. The Employment and Training Administration works very closely with the USDA Certified Agricultural Mediation Services. Farm families often have little experience with the local job service office, they rely on agricultural and lending organizations for their livelihood, and they come to place great trust in people like the Agricultural Mediation Service mediators and negotiators. The Agricultural Mediation Programs employ statewide mediation financial analysts who counsel farm and ranch operators on credit issues, negotiate between farmers and creditors, and formally mediate between these two groups.

The Administrative Conference of the United States reported on April 6, 1992 that implementation of the Agricultural Credit Act, farmer-lender mediation provisions has been energetic and generally effective.

RESOURCE CONSERVATION LOANS

Mr. DURBIN. How many resource conservation loans were made during fiscal year 1992? How many requests are still pending for loans under that account?

Mrs. LONGINO. In fiscal year 1992, one resource conservation and development loan was made. There were no requests pending at the end of the fiscal year.

CREDIT SALES OF ACQUIRED PROPERTY

Mr. DURBIN. Mrs. Longino, as you have indicated in your testimony, you have a significant increase for the credit sales of acquired property. Please describe for us what policies and rules and regulations you have in place to encourage sales to disadvantaged farmers.

Mrs. LONGINO. The Food, Agriculture, Conservation, and Trade Act (FACT Act) of 1990 made fundamental changes in the way FmHA selects purchasers for farm properties which are suitable for agriculture. In accordance with the FACT Act, FmHA regulations establish the priorities for the sale of inventory farm properties classified as suitable for agriculture production. In selling suitable farmland, FmHA gives priority to applicants that are Socially Disadvantaged (SDA) beginning farmers; other beginning farmers; other SDA applicants who need FmHA credit; other family-size operators who need FmHA credit; and family-size operators who do not need FmHA credit.

Beginning Farmers are those who have been operating less than 10 years and meet certain other criteria regarding land holdings and financial status. Socially Disadvantaged groups are those whose members have been subjected to prejudice because of their identity as members of the groups, without regard to their individual qualities. These groups include blacks, Hispanics, American Indians, Alaska Natives, Asians and Pacific Islanders. The Agricultural Credit Improvement Act of 1992 requires that gender also be considered in defining a group as socially disadvantaged. FmHA is in the process of clearing regulations to incorporate this legislative

change, and expects these regulations to be published in the near future. This regulation change should improve the salability of FmHA inventory property to disadvantaged farmers.

Those purchasing suitable FmHA inventory farms must have or intend to begin operations no larger than family-sized.

Farms are priced at the fair market value. If more than one applicant in a priority category desires to purchase the property, a buyer is chosen by lot.

OPERATING LOAN REQUEST

Mr. DURBIN. You have requested more than double the amount of funds for guaranteed farm operating loans. What assurances do you have from rural banks and farm credit loan institutions that they are able to handle such a substantial increase in guaranteed lending or are interested in such?

Mrs. LONGINO. We have no assurance that banks and credit institutions have the capacity to handle such an increase in guaranteed lending for farm operating loans. However, they may not need to. Let me explain. Changes to Treasury rates and borrower rates and assumptions have a predictable impact on subsidy rates. Such changes have the greatest impact on programs with the lowest subsidy rates. This relationship between Treasury rates and borrower rates and subsidy rates caused the large change in the supportable program level for farm operating guaranteed unsubsidized loans. The subsidy rate changed from 1.21 percent in the 1993 budget to 0.52 percent in the 1994 budget.

RURAL HOUSING INSURANCE FUND

Mr. DURBIN. As part of your summary of increases and decreases in your explanatory notes, you show a $46,000,000 decrease in the change in workload for the rural housing insurance fund program. Would you please explain this proposed change in workload?

Mrs. LONGINO. Changes in workload reflected in the "Summary of Increases and Decreases" are the result of the pro-ration of items of change among the direct appropriation and the ACIF, RHIF, and RDIF program accounts.

The allocation of resources among the program accounts is based upon a formula of the Agency's Resource Management System (RMS) composed of the workload standards for the accounts, the projected number of loans made and serviced by Program, the staff-year ceiling and the total funding requested. For fiscal year 1993 the Agency had to use older 1990 RMS workload standards since these were the latest standards available at that time when budget was produced. In preparing the fiscal year 1994 budget, later 1992 RMS workload standards were available and used.

While program levels increased in both the ACIF and RHIF account from 1993 to 1994, the increase reflected in the ACIF account was substantially greater due to the use of the latest RMS workload standards which reflected a substantial increase in the hours needed to service the portfolio. These factors increased the allocation of resources toward the ACIF Account.

RURAL DEVELOPMENT INSURANCE FUND

Mr. DURBIN. Also, you show a $7,500,000 decrease in salaries and expenses for a change in workload related to the rural development insurance fund. Can you explain what this reduction is for also?

Mrs. LONGINO. The decrease in the workload standards in Fiscal Year 1994 was the result of a decrease in the allocation of resources in the RDIF account.

FARMS FOR THE FUTURE

Mr. DURBIN. For the agricultural resource conservation demonstration program you are proposing a reduction of a little over $3,000,000 and indicate that this is because of a change of subsidy rates. Please explain exactly the change in subsidy rates.

Mrs. LONGINO. The cost of the program in the 1994 budget is $3.6 million, unchanged from 1993. The 1993 President's Budget subsidy rate of 36.44% was based on a 7.00% interest rate to the borrower, while in the 1994 President's Budget the interest rate projected is 9.75%, resulting in a subsidy rate of 52.96%. Based on the subsidy rate increase and an unchanged subsidy cost amount, the requested program level is reduced from $10 million to $6.9 million. In order to fund the full program level of $10 million, the estimated subsidy amount needed would be $5.3 million.

Mr. DURBIN. For the record, can you explain exactly how this program works?

Mrs. LONGINO. The program is open to states which operate or administer a land preservation fund for the protection or preservation of farmland for agricultural purposes. The loan is guaranteed 100 percent by FmHA and interest assistance is provided by FmHA throughout the life of the loan. Eligible loan purposes include: purchase of development rights or farmland; payment of reasonable and customary fees associated with purchasing easements and real estate; payment of costs to enforce easements and land-use restrictions; payment of the loan guarantee fee; investment to generate earnings to be used for future farmland preservation efforts.

Mr. DURBIN. Were any loans made during fiscal year 1993?

Mrs. LONGINO. One loan was made in fiscal year 1993 to the State of Vermont.

Mr. DURBIN. Were there any applications pending so far in 1993?

Mrs. LONGINO. There is one application pending so far in fiscal year 1993. This is a subsequent application from the State of Vermont submitted after the initial loan was closed.

Mr. DURBIN. When the Farmers Home Administration makes a commitment to a State for the agricultural resource conservation demonstration program, is FmHA committed to that State for more than one year?

Mrs. LONGINO. FmHA has no commitment to the State to make additional loans in subsequent years. However, the term of the loan is 10 years and FmHA is obligated to pay interest assistance throughout the life of the loan.

Mr. DURBIN. Describe for us what happened in the State of Vermont with the funds provided during FY 1992 for this program?

Exactly how were the funds used? How many acres were purchased or had easements placed on them?

Mrs. LONGINO. The funds provided in fiscal year 1992 were used to establish a trust fund to be used to generate earnings for future use. The Vermont Housing and Conservation Board is not required to report on the use of income generated from the investment of loan funds. The earnings from this investment can be used for any purpose in accordance with the state's farmland preservation plan.

VOUCHER PROGRAM

Mr. DURBIN. Mrs. Longino, your budget request includes $75,000,000 for a new home voucher program. You have indicated also that these vouchers would be used where an adequate supply of rental housing or apartments are available. Previously in your testimony you had talked about the inadequacy of housing in Mississippi. Most of us are aware that in most rural areas there is not enough housing available. Would you tell us in which communities or States you would expect this $75,000,000 to be used?

Mrs. LONGINO. The FY 1994 Budget Request for vouchers is projected to assist 3,750 families. The Agency plans to extend eligibility for this program to all rural communities within the country, but funds will be extremely limited. For instance, at the present time there are approximately 80,000 families and individuals residing in FmHA Section 515 projects nationwide who are suffering rent overburdens. These would be examples of instances where adequate housing is in place in rural areas but housing affordability needs to be enhanced. In addition to the number of rent overburdened tenants, there are 20,000 vacancies existing throughout the Section 515 program, presumably to a large extent because of the lack of tenant income to pay the needed rents. Considering additionally the stock of adequate rental housing in rural areas not financed by FmHA, which has a nationwide vacancy rate of 7%, would indicate a potential demand for rural housing vouchers at many, many times the requested level. In addition, FmHA administered a successful voucher demonstration program in 1988.

SINGLE FAMILY HOUSING LOANS (SEC. 502)

Mr. DURBIN. Would you please provide for the record a table showing the number and dollar amount of Sec. 502 loans made for each of the past ten years?

Mrs. LONGINO. I will be glad to.

[The information follows:]

FARMERS HOME ADMINISTRATION SECTION 502 DIRECT RURAL HOUSING LOANS OBLIGATED FY 1983 THROUGH FY 1993

[Dollars in thousands]

Fiscal year	Number of loans	Amount
1983	66,439	$2,138,277
1984	56,126	1,844,137
1985	51,962	1,789,553
1986	36,210	1,155,347
1987	33,612	1,143,926
1988	35,508	1,270,803

FARMERS HOME ADMINISTRATION SECTION 502 DIRECT RURAL HOUSING LOANS OBLIGATED FY 1983 THROUGH FY 1993—Continued

[Dollars in thousands]

Fiscal year	Number of loans	Amount
1989	35,452	1,266,863
1990	36,244	1,310,764
1991	32,375	1,276,230
1992	29,847	1,253,800
1993 thru 3/31	15,973	684,921

FARMERS HOME ADMINISTRATION SECTION 502 GUARANTEED RURAL HOUSING LOANS OBLIGATED FY 1991 THROUGH FY 1993

[Dollars in thousands]

Fiscal year	Number of loans	Amount
1991	662	$38,400
1992	3,844	214,393
1993 thru 3/31	4,568	265,411

RURAL RENTAL HOUSING LOANS

Mr. Durbin. What is the current known backlog of section 515 eligible projects?

Mrs. Longino. According to our most recent Survey of Demand, conducted January 11, 1993, approximately 1,181 preapplications totalling $1.3 billion and 488 applications totalling $464.5 million are in process.

Mr. Durbin. Why do you propose to reduce section 515 funding by $30,000,000? How does this fit in with a "Rural Development Initiative?"

Mrs. Longino. The direct loan level proposed represents a current services/baseline level of activity. It is a reduction of supportable loan level but not of subsidy cost, which was increased for inflation.

It is our overall intent to serve the rural communities by meeting the rental housing needs of its very low-, low- and moderate-income residents. In our FY 1994 Budget request, in addition to the $546,878,000 proposed for Section 515, we are requesting $75,000,000 for the rural housing voucher program. This means that the Agency will be able to assist approximately 17,030 families under the two programs in FY 1994, which is a 19 percent increase above the 14,320 families that we anticipate serving in FY 1993. This clearly demonstrates that the Agency has a commitment to serve the needs of very low and low-income families needing affordable rental housing.

Mr. Durbin. What is the length of Section 515 contracts? What do you expect to come up for renewal during fiscal years 1993 and 1994?

Mrs. Longino. Between fiscal years 1978 and 1982, rental assistance contracts were provided for either 5-year or 20-year terms. The 20-year contracts were for newly constructed units exclusively.

Since FY 1982, all contracts for rental assistance units have been for 5 years. If funds remain at the end of the contract period, rental assistance may continue until the funds are exhausted, at which time the contract will be renewed. If funding for the contract becomes exhausted before the five years are up, the contract will have to be renewed early. We project a need to renew 21,543 units in FY 1993 and 22,870 units in FY 1994.

Mr. DURBIN. Of the funds requested for 1994, what is the proposed breakdown for renewals versus new contracts?

Mrs. LONGINO. The FY 1994 Budget level of $421,817,000 will enable the Agency to provide rental assistance payments to an estimated 34,300 individuals or families. We are anticipating the need to renew 22,870 expiring rental assistance contracts in FY 1994, which is estimated to cost $288,544,000. The Agency plans to use the remaining funding of $133,273,000 to provide rental assistance payments to an estimated 11,430 units for new construction and servicing, and preservation activities.

Mr. DURBIN. Can you please provide us with a five-year table, beginning in 1993 and going forward, that shows the expiring rental assistance contracts for each year?

Mrs. LONGINO. We will provide a five-year project of our renewal needs for the record.

[The information follows:]

RENTAL ASSISTANCE EXPIRATIONS

Fiscal year	Predicted expirations	Scheduled expirations
1993	21,543	24,884
1994	22,870	24,929
1995		26,467
1996		29,240
1997		29,735

The FY 1993 and 1994 estimates are based on actual monitored contract use. The potential for rent increases and changes in utility costs, taxes and tenant incomes reduce the reliability of these for extended projections into future years. Consequently, 1995, 1996, and 1997 figures are based solely on the scheduled expiration of contracts entered into five years earlier during 1990, 1991, and 1992.

Mr. DURBIN. Since you propose to reduce the section 515 by $30,000,000 and the average tenant annual income is less than $9,000 for the people who use this program, can you explain how this is assisting in helping the underserved and overburdened in rural communities?

Mrs. LONGINO. We believe that there will be an overall 19 percent increase in assistance to very low- and low-income families when we add the assistance generated by the $75 million for the rural housing voucher program. We can then assist the underserved and overburdened by both providing new construction and making existing units affordable in rural communities.

Mr. DURBIN. We have been told that the vast majority of units available through section 515 are two-bedroom units or smaller. Is

Farmers Home doing or capable of doing anything to assist in providing larger units for families?

Mrs. LONGINO. The Agency is addressing the need for larger units by issuing, for final rulemaking, a revision to its rural rental housing regulations to stipulate that preapplications will reflect the size of unit necessary to accommodate the market. For example, if the market analysis shows there are families needing a three bedroom rental unit, then the preapplication will contain a proportionate number of three bedroom units.

VOUCHER PROGRAM

Mr. DURBIN. If Congress is to provide $75,000,000 for your proposed new voucher program, would residents of section 515 be eligible for this voucher program?

Mrs. LONGINO. Yes, however, not just section 515 projects, but any other adequate rental units. As stated before, at the present time there are approximately 80,000 families and individuals residing in RRH section 515 projects who are suffering rent overburden. In addition, there are 20,000 vacancies existing throughout the program because of lack of tenant income to pay the needed rents. The $75 million in vouchers could be used in RRH section 515 projects or in other units located in rural America.

DEFERRED MORTGAGE DEMONSTRATION PROGRAM

Mr. DURBIN. How much of the section 502 program is used for the deferred mortgage program in fiscal years 1993 and 1994?

Mrs. LONGINO. The Deferred Mortgage Demonstration Program is allocated $35,000,000 of the section 502 funds for fiscal year 1993. The President's combined request includes $50,664,000 for fiscal year 1994.

Mr. DURBIN. What does Farmers Home do to outreach those individuals who could qualify for the deferred mortgage program?

Mrs. LONGINO. The deferred mortgage program is actively advertised. Public informational meetings and seminars with real estate brokers, rural housing advocacy groups, builders, and the public have been and are being conducted on an ongoing basis. The availability of the funds and the advantages of using the program are stressed during these meetings.

RURAL HOUSING 502

Mr. DURBIN. For the record, would you provide us with a table showing the numbers of pending requests for all section 502 loan programs as of the end of fiscal year 1992?

Mrs. LONGINO. A table of the section 502 total applications on hand will be provided.

[The information follows:]

Single family housing, Section 502—Report date: September 30, 1992

State:	*Applications on hand*
Alabama	1,197
Alaska	211
Arizona	1,493
Arkansas	1,183
California	1,187
Nevada	172

Colorado	790
Delaware	153
Maryland	634
Florida	1,009
Georgia	1,622
Hawaii	79
W. Pacific Areas	166
Idaho	379
Illinois	790
Indiana	1,343
Iowa	711
Kansas	632
Kentucky	1,706
Louisiana	1,789
Maine	1,616
Massachusetts	3,610
Connecticut	755
Rhode Island	655
Michigan	4,065
Minnesota	596
Mississippi	4,110
Missouri	1,090
Montana	193
Nebraska	221
New Jersey	1,497
New Mexico	880
New York	1,261
North Carolina	1,553
North Dakota	155
Ohio	1,644
Oklahoma	1,017
Oregon	814
Pennsylvania	1,721
Puerto Rico	1,466
South Carolina	1,887
South Dakota	319
Tennessee	3,243
Texas	2,128
Utah	252
Vermont	245
New Hampshire	394
Virgin Islands	112
Virginia	1,638
Washington	1,436
West Virginia	1,012
Wisconsin	997
Wyoming	199
Total	60,027

Mr. DURBIN. How many loans were made in fiscal year 1992 and how many applications are currently on hand for the section 515 rural rental program?

Mrs. LONGINO. In fiscal year 1992, we made 755 section 515 loans. So far in fiscal year 1993, we have made 228 loans. We have received an additional 98 applications since our Survey of Demand which was conducted in January of this year. This addition brings the total number of applications on hand to 568.

Mr. DURBIN. What is the backlog of approved pre-applications and final applications for section 515 loans by dollar volume and by number?

Mrs. LONGINO. As I stated earlier on, our most recent Survey of Demand, conducted January 11, 1993, indicated that we had on hand approximately 1,181 preapplications totalling $1.3 billion and

488 applications totalling $464.5 million, plus the additional 98 applications received since the survey. The dollar amount of the additional 98 applications is not known in the National Office at this time.

Mr. DURBIN. What is the construction cost of a typical unit under the section 515 program and what is the average monthly rent charge?

Mrs. LONGINO. The typical construction cost per unit, based on our present National average, is $36,500. There is no meaningful national average monthly rent because there are varied rental rates according to size and design of units. More specifically, there are different rental rates for one, two, three and four bedroom units.

Mr. DURBIN. Subtitle C of the Housing and Community Development Act of 1987 allows for both equity loans and non-profit buyouts for preservation of rural housing. Can you describe each of these?

Mrs. LONGINO. The equity loans are a part of an incentive package that may be offered to borrowers that demonstrate that they have the ability to prepay their section 515 loans. The incentives are to encourage borrowers to remain in the section 515 program to prevent tenant displacement. The equity loans offered may be for an amount up to 90 percent of the appraised value. Nonprofit buyouts enable nonprofit entities to purchase projects to preserve low-income units when borrowers are not interested in remaining in the program by accepting equity loans or other incentives.

Mr. DURBIN. Please provide for us the number and dollar volume, by fiscal year, of equity and non-profit buyouts.

Mrs. LONGINO. The equity loans and nonprofit buyouts information will be provided.

[The information follows:]

EQUITY LOANS AND NONPROFIT BUYOUT LOANS FY 1988 THROUGH FY 1993

Fiscal year	Equity loans		Nonprofit buyouts	
	Number of loans	Amount	Number of loans	Amount
1988	3	$504,200		
1989	33	11,156,180	1	$101,500
1990	62	20,458,413	1	99,000
1991	44	23,161,450	7	4,347,510
1992	65	25,000,450	2	790,000
1993 (to date)	54	20,122,687	6	1,200,000
Total	261	100,402,930	17	6,538,010

INVENTORY HOUSING

Mr. DURBIN. How many houses do you currently have in inventory, by state, and what is the total estimated value of this housing?

Mrs. LONGINO. As of April 20, 1993, FmHA had 4,393 single family houses in inventory, with a total estimated value of $138,571,055. This information broken down by state will be provided for the record.

[The information follows:]

Single Family Housing Properties in Inventory
By State, as of April 20, 1993

State	Number of Properties	Market Value
ALABAMA	153	$4,431,300
ARIZONA	87	3,230,560
ARKANSAS	154	3,926,900
CALIFORNIA	78	4,528,030
COLORADO	25	868,050
DELAWARE	6	300,000
MARYLAND	9	480,050
FLORDIA	126	4,278,154
GEORGIA	227	7,310,300
IDAHO	33	1,228,090
ILLINOIS	45	1,142,290
INDIANA	35	1,050,750
IOWA	9	356,485
KANSAS	55	1,379,650
KENTUCKY	62	1,767,870
LOUISIANA	306	7,445,815
MAINE	24	941,050
MASSACHUSETTS	9	625,800
CONNECTICUT	13	845,500
RHODE ISLAND	1	100,000
MICHIGAN	79	2,273,830
MINNESOTA	37	1,601,550
MISSISSIPPI	440	12,364,320
MISSOURI	140	4,210,345
MONTANA	5	166,500
NEBRASKA	12	401,950
NEW JERSEY	120	5,820,200
NEW MEXICO	42	1,419,930
NEW YORK	54	1,933,900
NORTH CAROLINA	133	4,973,950
NORTH DAKOTA	19	598,500
OHIO	41	1,325,000
OKLAHOMA	254	6,289,140
OREGON	29	1,434,137
PENNSYLVANIA	23	717,700
SOUTH CAROLINA	243	7,950,150
SOUTH DAKOTA	18	537,700
TENNESSEE	62	1,966,515
TEXAS	631	16,796,087
UTAH	12	476,500
NEVADA	9	380,162
VERMONT	6	276,000
NEW HAMPSHIRE	10	385,500
VIRGIN ISLANDS	1	30,000
VIRGINIA	145	4,925,107
WASHINGTON	6	281,680
WEST VIRGINIA	65	1,862,290
WISCONSIN	30	963,030
WYOMING	11	376,000
ALASAKA	11	766,000
HAWAII-AM. SAMOA.	1	50,000
W. PACIFIC TERR.	1	110,000
PUERTO RICO	246	8,670,738
Total	4,393	$138,571,055

Mr. DURBIN. Mrs. Longino, you have stated that USDA plans to make some of its inventory housing available to public housing authorities and community based non-profit groups for rent with an option to purchase so that these can be used by needy rural people. What authority does USDA have to do this?

Mrs. LONGINO. Under Section 510(e) of the Housing Act of 1949, as amended, the Secretary of Agriculture has the authority to lease property acquired through foreclosure or other means to repair and rehabilitate such property and to sell or otherwise dispose of it by such terms and for such considerations as the Secretary determines reasonable. Section 592 of the FY 1992 Housing Authorization Act specifically provides priority for a public agency or nonprofit organization to lease or buy program or nonprogram inventory for transitional housing or turnkey housing for homeless and other inadequately housed families.

Mr. DURBIN. What rules and regulations do you have in place to make this inventory housing available to others?

Mrs. LONGINO. FmHA Instruction 1955–B, section 1955.66 provides for the lease of acquired real property, while section 1955.72 and Exhibit D provides specifically for the lease of SFH nonprogram housing for transitional housing for the homeless. FmHA Instruction 1955–C provides for the sale of acquired real property, while section 1955.119 provides specifically for the sale of SFH nonprogram housing to a public agency or nonprofit organization for transitional housing, with a 10 percent discount on the listed price, at nonprogram owner/occupant credit terms.

DOMESTIC FARM LABOR HOUSING (SEC. 514)

Mr. DURBIN. Please provide for the record a table showing the number and dollar amount of Sec. 514, domestic farm labor housing loans, by year for each of the past ten years.

Mrs. LONGINO. I will be glad to.

[The information follows:]

FARMERS HOME ADMINISTRATION DOMESTIC FARM LABOR HOUSING LOAN OBLIGATIONS FY 1983 THROUGH FY 1993

[Dollars in thousands]

Fiscal year	Number of—	
	Actual	Loans
1983	$3,994	68
1984	5,485	76
1985	17,588	117
1986	10,675	67
1987	10,686	44
1988	11,372	61
1989	11,446	70
1990	11,287	73
1991	13,836	57
1992	15,942	53
1993 thru 3/31/93	1,756	14

Mr. DURBIN. What is the total number of applications and dollar amount of section 524 loans pending as of the end of fiscal year 1992? What is on hand currently in fiscal year 1993?

Mrs. LONGINO. Two applications for a total of $371,400 were obligated in FY 1992. Currently we have one application for $600,000 on hand and have had inquires from three other states about the availability of funds for fiscal 1993.

RURAL HOUSING PRESERVATION GRANTS

Mr. DURBIN. Please provide a ten-year table for the record showing the number and dollar amount of rural housing preservation grants.

Ms. LONGINO. I will be glad to.

[The information follows:]

FARMERS HOME ADMINISTRATION RURAL HOUSING PRESERVATION GRANTS FY 1983 THROUGH FY 1993

[Dollars in Thousands]

Fiscal year	Number of—	
	Actual	Grants
1983	0	0
1984	0	0
1985	0	0
1986	$19,140	129
1987	19,140	155
1988	19,140	156
1989	19,140	158
1990	19,140	160
1991	23,000	193
1992	23,000	190
1993 thru 3/31/93	337	1

Mr. DURBIN. What is the total number of grants and the dollar amount in total of these grants pending as of the end of fiscal year 1992?

Mrs. LONGINO. In fiscal year 1992, FmHA received 424 preapplications requesting $57,181,488 for rural housing preservation grants. These preapplications requested assistance for 10,813 housing units. We were able to obligate funding on 190 grants with the $23,000,000 available. The remaining preapplications were returned to the applicants.

The FmHA does not hold "pending" applications under this program.

SELF-HELP HOUSING

Mr. DURBIN. It has been reported to the Committee that self-help housing units cost about $10,000 less than conventionally constructed units. Do you have any information to assure that this is correct?

Mrs. LONGINO. Quarterly, each grantee submits a report to the State Director reporting on their progress in assisting families through the self-help program. The County Supervisor, who reviews the report before it is submitted to the State Office, enters

the appraised value of the houses being built by the self-help method. By comparing this appraised value with the actual mortgages of the families, we project the family's savings. The amount of savings can vary widely, but in a good market area a self-help family can typically save about $10,000.

Mr. DURBIN. What is Farmers Home doing to expand the use of self-help housing?

Mrs. LONGINO. Farmers Home has contracts with four non-profit organizations to assist existing grantees to be successful and to assist new non-profit organizations to get started in the self-help housing program. The March issue of the Agency's FYI contained a four-page article on the advantages of self-help housing to alert people as to how well this program is working. These are just two examples of how we are promoting the program.

VERY LOW-INCOME HOUSING REPAIR GRANTS

Mr. DURBIN. Please provide a ten-year table showing the number and dollar amounts of very low-income repair grants.

Ms. LONGINO. I will be glad to.

[The information follows:]

FARMERS HOME ADMINISTRATION VERY LOW-INCOME HOUSING REPAIR GRANTS FY 1983 THROUGH FY 1993]

[Dollars in thousands]

Fiscal year	Number of—	
	Actual	Grants
1983	$12,500	3,845
1984	12,500	3,642
1985	12,498	3,715
1986	13,891	4,138
1987	12,498	3,623
1988	12,500	3,656
1989	12,500	3,684
1990	12,642	3,664
1991	12,740	3,695
1992	12,803	3,678
1993 thru 3/31/93	6,877	1,938

Mr. DURBIN. We see in the explanatory notes the statement, "The agency has determined that grants carry a lifetime assistance limitation of $5,000 per recipient." Since this was the agency's determination, what are the parameters in the law on limitations for grants?

Mrs. LONGINO. Section 504 of the Housing Act of 1949, as amended, provides for the Secretary to determine appropriate limits. The $5,000 maximum amount was set to ensure that assistance could be provided to the greatest possible number of families. Although the limit is $5,000, our average grant amount is about $3,450.

Mr. DURBIN. What is the number and dollar amount of pending requests for grants on the very low-income housing repair program as of the end of fiscal year 1992?

Mrs. LONGINO. Our reports do not separate repair loan and grant applications. The number of section 504 applications pending at the

end of fiscal year 1992 was 6,935. This number would, if funds were available, utilize approximately $25,000,000 in section 504 repair funds.

Mr. DURBIN. Please explain why there was almost $7,000,000 of unobligated balance carryover in the mutual and self-help housing grant program from 1992 to 1993.

Mrs. LONGINO. Obligation activity for new grantees and reobligations for successful existing grantees are an ongoing process. Their needs do not necessarily conform with our fiscal years, which can result in large temporary carryover balances in certain fiscal years and little or no carryover in others. Accordingly, we expect to obligate over $15,000,000 this year which greatly exceeds the 1993 appropriation of $12,750,000.

Mr. DURBIN. What was the total number of grant requests and dollar amounts pending at the end of fiscal year 1992?

Mrs. LONGINO. There were no pending section 523 self-help grant requests pending at the end of fiscal year 1992.

DOMESTIC FARM LABOR

Mr. DURBIN. For the rural housing for domestic farm labor you carried over almost $11,000,000 from 1992 into 1993. Explain why then is such a large carryover in that account.

Mrs. LONGINO. The carryover is from the $10.5 million for farm labor housing grants under the Dire Emergency Supplemental Appropriation Act of 1992 which provided additional funds near the end of the fiscal year to address losses from natural disasters such as Hurricane Andrew.

Mr. DURBIN. Were there any pending applications for requests of these funds at the end of fiscal year 1992?

Mrs. LONGINO. No, there was not sufficient time to develop applications for the disaster funds before the end of the fiscal year. However, we have currently obligated $1.6 million and are reviewing applications for use of the balance from the disaster impacted areas. We anticipate using these grant funds by their legislated obligation deadline of 9/30/93.

Nationally, we had pending applications in excess of $19 million carried over for the farm labor housing program.

Mr. DURBIN. Your budget justification indicates that section 521, rental rural assistance program, and the HUD HOME partnership block grant fund can be used for rural housing for domestic farm labor. Do you have any information to show how much of the HUD funds or rental assistance program was used for rural housing for domestic farm labor during fiscal year 1992 or so far in1993?

Mrs. LONGINO. In FY 1992, FmHA provided 427 units of rental assistance for Farm Labor Housing new construction at a projected cost of $4,682,353. In FY 1993, as of March 31, we have obligated 95 units of rental assistance in the amount of $994,203 and currently for Farm Labor Housing have requests in process now for an additional 269 units. We fully anticipate additional requests by the end of the fiscal year.

While we have no figures on the use of HUD funds for housing for domestic farm labor housing, we understand that all of HUD's programs can be used for domestic farm labor, just as FmHA's

other housing programs, like section 502 or section 523 self-help grants, can be as well.

COMPENSATION FOR CONSTRUCTION DEFECTS

Mr. DURBIN. Please provide for the record a ten-year table showing the number and dollar amount of compensation for construction defects payments made over the past ten years.

Mrs. LONGINO. I will be glad to.

[The information follows:]

FARMERS HOME ADMINISTRATION COMPENSATION FOR CONSTRUCTION DEFECTS FY 1983 THROUGH FY 1993

[Dollars in thousands]

Fiscal year	Actual	Number of defects
1983	296	107
1984	395	117
1985	527	153
1986	269	100
1987	241	78
1988	258	70
1989	314	69
1990	179	37
1991	169	76
1992	193	35
1993 thru 3/31/93	90	22

Mr. DURBIN. What is the unobligated balance carried into 1993 for this program?

Mrs. LONGINO. The unobligated balance that was carried forward into FY 1993 for the compensation for construction defects program was $1,163,108.

Mr. DURBIN. Are there any pending applications on hand that have not been funded?

Mrs. LONGINO. No, there are no pending applications on hand.

Mr. DURBIN. How much of the fiscal year 1993 funds, plus carryover, have been used so far during fiscal year 1993?

Mrs. LONGINO. As of March 31, 1993, $90,000 has been obligated for this program.

SELF-HELP HOUSING

Mr. DURBIN. Please list all the loans made under the self-help housing land development fund during fiscal year 1992.

Mrs. LONGINO. There was only one self-help housing land development loan made in fiscal year 1992 to Self-Help Enterprises in California. The loan was made in the amount of $500,000, which was the entire appropriated amount for this program in fiscal year 1992.

Mr. DURBIN. Are there any existing applications on hand for the self-help housing land development fund so far in 1993?

Mrs. LONGINO. At this time there are no applications on hand for these loans.

USER FEES

Mr. DURBIN. During fiscal year 1992, what user fees were collected for ACIF and RHIF?

Mrs. LONGINO. I will provide the information for the record.

[The information follows:]

FEE COLLECTIONS—FY 1992

Sources	ACIF	RHIF
Guarantee fees	$11,776,206	$1,063,372
Application/Transfer (Nonprogram loans)	0	2,140
Transfer fees/appraisal fees—guaranteed loans	0	0
Inspection fees	0	40
Credit reports	201,344	2,482,762
Conditional commitment fees	0	429,720
Total	11,977,550	3,978,034

FARMER MAC

Mr. DURBIN. Did the Farmers Home Administration participate in any Farmer Mac loan pooling activities during fiscal year 1992?

Mrs. LONGINO. Yes, in 1992 the guaranteed portions of 167 FmHA Farmer Program loans were sold in Farmer Mac II. This represented over $23.4 million. Of these 167 loans, 54 were included in multiple loan pools totaling $6.4 million. Certificates were issued for the remaining 113 loans as single loan pools.

SUPERVISORY TECHNICAL ASSISTANCE GRANTS

Mr. DURBIN. We are aware that you carried over the entire amount that was appropriated for the supervisory technical assistance grants in fiscal year 1992. Do you have rules and regulations in place now to implement the program for fiscal year 1993?

Mrs. LONGINO. The regulations to implement this program were delayed by the regulatory review initiatives/moratorium. The final rule is now in the clearance process within the Agency, and we anticipate the final rule will be published before the end of fiscal year 1993.

Mr. DURBIN. Are there any pending applications?

Mrs. LONGINO. No, there are no pending applications.

Mr. DURBIN. Who would these public and private non-profit organizations that are authorized to receive the supervisory and technical assistance grants contract with for this kind of assistance?

Mrs. LONGINO. The Agency will not be contracting for this work. Authorized public and private non-profit organizations will be reimbursed for completed applications by either the FmHA State, District, or County Office depending on the type of loan applications submitted. A grantee submitting an application package for a Section 502 Rural Housing loan would be reimbursed by the County Office. A grantee submitting an application package for a Section 515 Rural Rental Housing loan would be reimbursed by either the District Office or the State Office depending on the requested loan amount.

VOUCHER PROGRAM

Mr. DURBIN. Under the rural housing voucher proposal, what would be the approximate annual payment to a person who was eligible under the guidelines for this program?

Mrs. LONGINO. We expect the annual payments for vouchers to range between $720 and $5,400 eligible recipient, with an average of $3,600.

Mr. DURBIN. Although you request $75,000,000 for the voucher program, the outlay rate is extremely low. Can you explain why this is so?

Mrs. LONGINO. Based on reported HUD experience under the voucher program, outlays in the first year are estimated at only .7% of the $75,000,000 program level, or $525,000. As you have mentioned, the disbursements for vouchers are expected to start out slowly. A major portion of the first fiscal year will be devoted to the promulgation of regulations and implementation of the new program, and then on the obligation of funds and subsequent tenant selections. Relatively few actual payments will be made in the first year of program operation.

The disbursements are expected to pick up in the second through seventh years. I would like to provide for the record a table showing the estimated spendout for years 2 through 7.

[The information follows:]

RURAL HOUSING VOUCHER PROGRAM ESTIMATED SPENDOUT

[Dollar amounts in thousands]

	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Percent	18.0	18.8	19.6	20.4	15.0	7.5
Amount	$13,500	$14,100	$14,700	$15,300	$11,250	$5,625

RENTAL ASSISTANCE

Mr. DURBIN. The budget proposes to cut in half the amount available for the section 502C, rental assistance program, from $11,800,000 to $5,900,000. For the record, please provide a five-year table showing the amount of funds used annually for this activity.

Mrs. LONGINO. I would be glad to provide that information for the record.

[The information follows:]

Section 502(c)(5)(D) Rental Assistance Actual Obligations

[FY 1988 through FY 1992]

Fiscal year	*Amount obligated*
1988	
1989	$88,376
1990	44,188
1991	3,025,165
1992	240,971

FORECLOSURES

Mr. DURBIN. Mrs. Longino, we are aware that the Secretary last month suspended farm foreclosures that were not already in court. Exactly how many farm foreclosures were in that status?

Mrs. LONGINO. Our records show that 3,628 farm foreclosures were suspended.

Mr. DURBIN. Can you provide us with any guidance that was offered to the Farmers Home field staff, related to this?

Mrs. LONGINO. I will provide a copy of the guidance that was provided the field offices, concerning the foreclosure suspension.

[CLERK'S NOTE.—The information provided was too lengthy to print and will be retained in committee files.]

Mr. DURBIN. Mr. Skeen.

Mr. SKEEN. Thank you, Mr. Chairman.

Ms. Longino, it is a pleasure having you.

Ms. LONGINO. Thank you.

Mr. SKEEN. Well, we are talking real revolution here. The bureaucracy is going to respond and Congress has finally decided that there is not a legislative answer to every problem in the world.

Ms. LONGINO. Yes, sir.

Mr. SKEEN. That is a shock to all of us. [Laughter.]

I appreciate very much the fact that you have accepted the challenge, could we recommend you for heading up the IRS? [Laughter.]

Ms. LONGINO. No, sir.

Mr. SKEEN. I think a lot of these requests and a lot of these conditions that we put on lending money from the federal sector come from laws such as the silly one about controlled substances and things of that kind. I am surprised we have not written something in there that they cannot have over a 10 handicap in golf. [Laughter.]

GUARANTEED SINGLE FAMILY HOUSING LOANS

Mr. SKEEN. Let me get into something a little different than we have been talking about. I appreciate the responses that you have made which have been very forthright and very progressive. Have you already used up the guaranteed loan authority that was appropriated and authorized under Section 502. I believe you have requested a $300 million loan authority in the stimulus bill.

Ms. LONGINO. Yes, sir.

Mr. SKEEN. The stimulus bill does not look like it is going to become a fact of life. Do you intend to put this into the 1993 supplemental?

Ms. LONGINO. At the current time, we are out of our guaranteed loan funds and I must say we were truly hoping that we would be able to get the $235 million that was put in the stimulus bill.

Mr. SKEEN. Was that $300 million?

Ms. LONGINO. $235 million.

Mr. SKEEN. $235.

Ms. LONGINO. Yes, $235 million, and that certainly would go a long way to providing some very needed housing. We had not determined what we would do in the event that the FY 1993 economic

stimulus was not approved. However, we will be happy to provide you a written response later.

REQUEST FOR GUARANTEED HOUSING FUNDS FOR FY 1993

Mr. SKEEN. Well, I think that probably the next best question is will you support a request for that additional funding in the 1993 supplemental that we will be considering very soon?

Ms. LONGINO. I would like to first be able to go back and reassess our position and provide you with that information.

Mr. SKEEN. Give us a direct answer on that.

Ms. LONGINO. Yes, sir. I will get back to you when a decision is made.

GUANTEED FARM LOANS

Mr. SKEEN. I would appreciate that.

I was very interested to see that 68 percent of the total loans you made in 1992 were under the guaranteed loan program. And this is the sixth consecutive year that you have posted an increase in the guaranteed farm loan program. It must be working very well with the private sector.

Ms. LONGINO. It is working very well with the private sector, however, we still must be progressive into moving as many farmers toward that program as possible. In some instances, that will require some subsidized guarantees. But the program has been a success as far as private lenders responding, and our borrowers appreciate the partnership it provides.

DIRECT FARM OPERATING LOANS

Mr. SKEEN. You have only had a slight reduction, however, in the operating loans.

Ms. LONGINO. Yes, sir.

Mr. SKEEN. So it has stayed about level. How do you feel that the cooperative atmosphere is between your agencies and the private lenders? I know that we have just gone through this aspect of the overwhelming amount of paperwork and so forth, but I mean just in general.

Ms. LONGINO. In general, if we can reduce the paperwork, I think guarantees will increase. We have a very good working relationship with private banks. The only concern has been in the area of the overburden of paperwork.

Mr. SKEEN. That has been the major complaint.

Ms. LONGINO. Yes, sir.

Mr. SKEEN. Well, the bank examiners have also added to that so probably the bankers are very sensitive. I am particularly appreciative of the fact that you have a good relationship with the private sector lending institutions because that is the heartthrob of the economy of every small or large community in the United States. And your support of that is extremely important.

Ms. LONGINO. I really feel that we have been very fortunate because in order for us to move rural America forward, there must be a forging of partnership and our guaranteed loan program certainly proves that.

INSPECTOR GENERAL REPORT

Mr. SKEEN. Let us go to the Inspector General who has recognized a few problems that you have inherited. I am sympathetic, but something ought to be done. They conducted an audit which stated that out of 10 borrowers 9 loan transactions were based on very inaccurate information. Is this a continuing problem and what is being done about it?

Ms. LONGINO. As you said, this is one of the areas of problems that I did inherit. We are assessing the Inspector General's report. We are looking back at our loan-making to see if those findings are still in existence and looking at ways that we can come up with an administrative perspective to correct those problems.

Mr. SKEEN. Correct inaccurate information.

RECOVERY OF IMPROPER LOANS

What about the recovery of improper loans, loans that were made improperly? Is there any attempt at the agency to recover?

Ms. LONGINO. To recover loans that were improperly made?

Mr. SKEEN. Funds that were appropriated. I see a head shaking back there affirmatively, so your backup is working well.

Ms. LONGINO. Yes, sir, we are. We are certainly working to recover as much as we can of loans that were improperly made. After all, we want to protect the taxpayer's dollar.

Mr. SKEEN. And you are responding to the IG and his recommendations. I see also your backup, your very able backup back there.

Ms. LONGINO. Thank you. Yes, sir, we have responded. Based upon the audit findings, all of the cases in existence were reviewed—approximately eighty in all—and corrective action taken. As part of the Agency's internal control process, we have also begun reviewing any new cases of loans to borrowers who bought out at net recovery value.

FIELD OFFICES

Mr. SKEEN. Let me ask you a question about field offices. We are very much concerned in states like New Mexico that have a very rural atmosphere and the services of the field office is a very sore subject because of the distances that they have to travel. Have you made any recommendations on the consolidation or the closing of some of the field offices? Have you reviewed the recommendations that were made prior to the time that you took over?

Ms. LONGINO. I have reviewed some of those recommendations that have come into my office. However, no decision has been made on them. What we have assessed is our service delivery to make sure that our customers do not lose any services that they were already receiving and will not be impaired by any of our consolidations.

DISTANCE TRAVELED BY BORROWERS

Mr. SKEEN. Well, that is a major criterion. Distance to travel should be a consideration and one of the elements of consideration in that criteria. Am I correct?

Ms. LONGINO. It could be. However, in the instance where there would be excessive travel, we would certainly look at alternative ways to have our staff go to where the service is needed.

GRANTS FOR OUTREACH TO SOCIALLY DISADVANTAGED FARMERS

Mr. SKEEN. Very good. I understand the Administration has requested funding for the first time in the amount of about $10 million for community-based organizations and colleges to reach out to disadvantaged farmers. Give me a definition of what a disadvantaged farmer is.

Ms. LONGINO. Some disadvantaged farmers——

Mr. SKEEN. It says socially disadvantaged farmers. I always thought that that went along with the business of being a farmer, that you are automatically socially disadvantaged. [Laugher.]

Ms. LONGINO. In many instances, we have many farmers that will agree with you.

Mr. SKEEN. Having been in agriculture, I agree with it.

Ms. LONGINO. However, our socially disadvantaged farmers have been identified as farmers that have been subjected to racial or ethnic prejudice. Mainly those are the ones we want to provide outreach and technical assistance.

Mr. SKEEN. So Hispanics and Native Americans?

Ms. LONGINO. Our definition of a socially disadvantaged group includes blacks, Hispanics, Native Americans, Alaska Natives, Pacific Islanders, and women. Women were added to the definition by the Agricultural Credit Improvement Act of 1992. I would add that socially disadvantaged groups are those whose members have been subjected to prejudice because of their identity as members of the group, without considering their individual qualities.

Mr. SKEEN. Minority farmers.

Ms. LONGINO. Yes, sir.

Mr. SKEEN. Thank you very much for your responses. I appreciate your candor and I hope very much that you succeed in the challenge that we made to you today and if we can be of any help, let us know.

Ms. LONGINO. Thank you.

Mr. DURBIN. Thanks, Mr. Skeen. Mr. Thornton?

Mr. THORNTON. Thank you, Mr. Chairman.

INTRODUCTION OF UNDER SECRETARY DESIGNATE

First, let me applaud you for your direct testimony which I have read and which reflects a change in direction to try and mesh the programs more closely with the local people who are involved.

Mr. Chairman, in connection with that awareness of the importance of understanding what the future holds, I would like to beg the indulgence of the chair to recognize someone who is in the audience not as an official, but because of his curiosity about the proceedings today. He should not be called upon to testify because Bob Nash is the designee for the Under secretary for Small Community and Rural Development. But he happens to be a constituent of mine and I would like to introduce him.

Mr. DURBIN. He is from Arkansas?

Mr. THORNTON. From Arkansas, yes, sir. [Laughter.]

Mr. DURBIN. Glad to meet you, Mr. Nash. Thank you for joining us.

Mr. NASH. Thank you, Mr. Chairman.

Mr. THORNTON. I am so delighted to see you here. It shows your interest in the proceedings, your awareness that it would be inappropriate at this time for you to testify, but your interest in the direction that the cross-examination and the focus of the committee has taken. I want to welcome you, sir, to this committee.

ECONOMIC STIMULUS PACKAGE

I do appreciate, as I was saying, the focus that you are bringing in your agency to recognizing local needs. I would like to applaud you for your portion of the stimulus package which is presently being held hostage in the Senate because some people do not recognize, as Mr. Skeen and I do, the importance of developing rural America and some of the other good programs that are contained.

Now Mr. Skeen and I may disagree on whether all of the programs should be adopted, but certainly we are in agreement on the importance of developing rural America. I am deeply concerned about whether it is wise—as we try to emerge from a recession and the lack of empowerment of rural people—to let this issue drag on into the summer at a time when we really need to be giving the economy a kick start.

I realize this is not your direct responsibility, but you come from the field. You know what is going on out there. Is there not a need for some immediate action in America to address some of these problems?

Ms. LONGINO. Yes, sir, there is a great need, especially in the area of housing, and the support of rural development in rural communities. We look at the rent overburden of about 80,000 of our people trying to survive in a time when the economy is rather slow in most of our rural areas. There must be a way of providing them with an income to meet their rental costs.

Yes, sir, just as we spoke a few minutes ago about the need for the $235 million for the 502 guaranteed housing program, we will be without these funds until our next fiscal year. That means we will not be able to fund those needs and those families that lack a decent home will have to wait in order to get that decent home. Not only will they have to wait to get a decent home, but the jobs that will be created by the 502 guaranteed loan funds will also have to wait which means that taxes cannot be collected from those working.

Mr. THORNTON. I really appreciate that response, Mr. Chairman. I yield back the balance of my time.

Mr. DURBIN. Thank you, Mr. Thornton.

Mr. Peterson?

AGENCY CONSOLIDATION

Mr. PETERSON. Thank you, Mr. Chairman. I think you have hit pretty close to the heart of the line of questioning that I had in mind, but I would be interested in the consolidation process that you are taking now on how you might fold in the agencies into one to serve as a farm organization and how much of an obstacle are

the congressional mandates that you currently have in allowing you to do that? Mainly, I am concerned with whether or not we are going to be able to, based on what we have already done. For instance, and the division of Farmers Home RDA. There seems to be a natural marriage there, yet I am not certain that we are going to have that collapse back together because of previous legislation. Can you comment on that?

Ms. LONGINO. Congressman Peterson, it is my understanding at this time there are studies going on by the Secretary in regard to reorganization. One thing that we are focused on in regard to reorganization is a continuation of the services that our communities expect from Farmers Home. And, we are working to make sure that even though we are looking to reorganization, those service will be continued.

EFFICIENCY OF CONSOLIDATED SERVICES

Mr. PETERSON. I am concerned about the service as well. And I think that is admirable that we are focusing on that. But I am also interested in delivery of service at the least cost possible.

Ms. LONGINO. Yes, sir.

Mr. PETERSON. And that is really where I am coming from. You know, you can provide the services. It is just a matter of are we going to make it more efficient in this process and I do not hear us talking about that. We can make it more efficient for the customer, perhaps, but are we making it more efficient for the Department?

You could put everything in one building. That will make it more effective and efficient for the customer, but does that make it more efficient and effective for the Department without merging the administrative staffs and reduce the redundancy of action. That is what I think where we can really make some money.

Ms. LONGINO. Well, based on the direction the Secretary has given all the agencies in the USDA, I am sure those concerns will be part of the consideration in the study regarding the reorganization of all of USDA. Farmers Home will be a part of that study.

SECONDARY MARKETS

Mr. PETERSON. And the other part of that and you mentioned it earlier as did the chairman with the paperwork. You know, governmental agencies are practicing defensive government much like a doctor practices defensive medicine. It seems that we have got to, if you can take this challenge and with the fulfillment of what we can do to erase some of these extraneous obstacles and mandates that we have placed on you, maybe we can indeed make USDA a truly service organization as opposed to a policeman and some of the other duties that seem to have been overwhelming in our delivery of services. And lastly in the process of doing your guaranteed loan secondary markets, have you suggested that they are satisfactory and that there is a positive role of those. Are you getting a good flow of access through the rural banks and the use of those guaranteed funds?

Ms. LONGINO. Based upon the data that is presented to me, there appears to be a very good flow. However, I would like to ask our

budget staff person, Mr. Anderson, to respond in more detail to you in regard to that question.

Mr. ANDERSON. Congressman, there have been several efforts under way to improve the secondary market over the last several years. Our own field staff and National Office personnel put much emphasis and strength on working with the banks to establish that secondary market. I understand that in some of the very rural areas that there are difficulties. But those are being addressed. And the secondary market effort, as I understand it, is working well. The guaranteed rural housing program is utilizing both Fannie Mae and Ginny Mae as active secondary markets.

We are able to increase our guaranteed lending each year, and work with the banks. And where problems do arise, we work with the banks to find the necessary avenues for them to participate in our programs.

Mr. PETERSON. Is there some permanent work that needs to be done though to free up whatever log jams you are experiencing here, or is it just strictly a local problem?

Mr. ANDERSON. Mr. Tharrington, our housing Assistant Administrator, indicates that in the housing program we really have no problem in the secondary market. Because that housing market is readily available. And as you can see, this year all of the funds were made available in the first quarter of the fiscal year, and we are completely out of the guarantee authority that was provided this year.

We would expect that $235 million in the economic stimulus package, if it is provided, would be used also. So basically, the problems would be in the farm area where those loans are not as readily marketable. But there is an ongoing effort with our program people to work with the local banks so they can guarantee a loan and sell that guarantee portion through the secondary market.

We find that many rural banks have low loan-to-deposit ratios and do not want to sell loans on the secondary markets. They need loans on the books. FmHA personnel have received substantial training on the use of secondary markets to help farm borrowers, and we provide our employees with updates on the Farmer Mac program for FmHA guarantees, as well as other secondary market outlets. If the lender wants to sell a loan, our staff can help the lender with that.

Mr. PETERSON. Thank you very much. I appreciate it.

And thank you, Mr. Chairman, for the time.

Mr. DURBIN. Ms. Vucanovich.

NEVADA STATE OFFICE

Mrs. VUCANOVICH. Thank you, Mr. Chairman.

Ms. Longino, I understand, as Mr. Skeen observed, and several others, that one of the Agriculture Department's major proposals will be the creation of a single farm agency. And I will not reiterate what they are. And I think that all of us are happy to hear the Secretary's priority is to streamline from top to bottom, and starting with the Washington bureaucracy and working down to the field offices.

Regarding this new farm service agency, I have several questions. And I am not sure that you are ready yet to answer them. But let me state them. And if you do not know the answers now, maybe you could get them to us.

In last year's appropriations bill, we agreed to create a new state Farmers Home Administration office for the State of Nevada. What we did was upgrade from a sub-state office to a state office. And this is a very important issue to my state. And I just would like to know how this proposal would affect the decision by Congress to establish this new Nevada state office.

I do not know if you are able to answer that yet. I would like to know if this is still in the pipeline, and what the status is.

Ms. LONGINO. I am unable to answer that question. However, I can assure you that the Nevada state office is a part of the study that the Secretary is doing in regard to reorganization.

Mrs. VUCANOVICH. It is my understanding that the state director, at least the name has surfaced. So we would urge as soon as possible. And I will not pursue this line. Because these are the main issues that I have. And I would like to submit them to you. And maybe you can get an answer. Or again, give us some clue about where it is at this stage.

Ms. LONGINO. I would be happy to submit that to you in writing.

Mrs. VUCANOVICH. Thank you very much. I appreciate it.

[The information follows:]

As required by the Fiscal Year 1993 Appropriation Act, the Farmers Home Administration has set aside funds for the establishment of the Nevada State Office. However, at this time further steps have not been made while the Department proceeds with the creation of the Farm Service Agency.

Ms. VUCANOVICH. As far as Farmers Home goes, will this new agency in any way change the jurisdiction of Farmers Home as the creation of the Rural Development Agency did?

Mrs. LONGINO. Specifics of the reorganization are still being developed. Whatever the final outcome, however, our primary goal is to ensure that we maintain or improve the level of service currently provided to our clients.

Mr. DURBIN. Thank you.

Mr. Pastor.

Mr. PASTOR. Good morning.

Ms. LONGINO. Good morning.

Mr. PASTOR. How are you?

Ms. LONGINO. Fine. Thank you.

Mr. PASTOR. Congratulations.

Ms. LONGINO. Thank you.

SOCIALLY DISADVANTAGED FARMERS

Mr. PASTOR. There are several questions that I have. And one deals with the new program that you talked about. For the first time, we have the amount of $10 million for grants to community-based organizations.

What do you envision happening with those monies and what will the nonprofit groups do? And, how might the colleges benefit?

Ms. LONGINO. With the $10 million, we want first to determine the needs of the socially disadvantaged farmers in terms of techni-

cal and financial assistance, and then develop a plan that would address those needs at the local level. We would like to fund the very best plans with the $10 million to provide outreach and technical assistance to socially disadvantaged farmers where the greatest need exists, and at the end of the 1994 fiscal year, we will make an assessment as to whether or not there would be a need for additional funding to support the efforts that would come forth as a result of the $10 million.

Mr. PASTOR. So basically, it is a research effort to determine what are the particular needs that they may have, and what technical assistance they may need.

Ms. LONGINO. And an assessment of the implementation of that technical assistance with the use of the $10 million.

APPLICATION FOR GRANTS

Mr. PASTOR. Will the nonprofits apply directly to Farmers Home, or, how will you dispense the money? Let me ask that question.

Ms. LONGINO. Currently, we are working on a request for proposals to receive proposals from the nonprofits including the colleges in regard to developing a five year plan of assistance to bring the socially disadvantaged farmer into the mainstream of services from USDA programs. With the receipt of that five year plan, we will look at the needs that would be identified through that plan, and how it would be implemented with milestones at one year, three years, and five years.

Mr. PASTOR. So if I were a nonprofit group X responding to an RFP, say in the next five years, this is the plan that I have developed to assist this particular farmer or farm group?

Ms. LONGINO. Yes, sir. Basically, that is what we are looking for, and how that assistance will help stabilize the socially disadvantaged farmer in the particular area that you would be proposing to serve.

Mr. PASTOR. I am assuming that you would fund a nonprofit group for X number of dollars, so that they could hire people and do this technical assistance?

Ms. LONGINO. Yes, sir.

Mr. PASTOR. And universities will be responding to RFPs, and their objective will be to study what the needs are?

Ms. LONGINO. They would have the same criteria as the nonprofit. And it would be 1890 land grant colleges and 1862 colleges. We specifically are looking at those that are working with minority farmers. And the applicants' plans should lead minority farmers to become self-sufficient in their own right.

Mr. PASTOR. What is the mailing address? I am sure that there are some groups in Arizona who would be happy to help our farmers.

Ms. LONGINO. We will be happy to provide that mailing address in our RFP as soon as we are able to completely develop it and get it through the clearance process.

Mr. PASTOR. OK. I will be in touch with you on that one.

Ms. LONGINO. Thank you.

MULTIFAMILY HOUSING FOR FARMWORKERS

Mr. PASTOR. The other question that I have deals with your construction of multi-family housing.

Ms. LONGINO. Yes, sir.

Mr. PASTOR. At least it has been my experience, where you have farm workers, that usually you have an extended family. And many times, the children as they grow up, are forced to leave the area because of the lack of housing. I am very interested in how the process works.

Do we have nonprofit groups requesting the money, who then construct and manage the multi-family housing? Or, how else might this process work? I am very interested in it because in many places in Arizona and in the West we have a great need for multi-family housing.

Ms. LONGINO. For migrant farm workers?

Mr. PASTOR. Migrant farm workers, and seasonal farm workers.

Ms. LONGINO. The best example I can give you of our efforts to address the housing needs and the support service needs of farmworkers is in Florida where we have just developed a farmworkers housing site with multiple services provided on-site.

I recently visited the site. And I found that it was very conducive to meeting the needs of that farm worker from a total needs perspective, rather than a piecemeal perspective. We are looking at other areas where this can also be demonstrated.

Mr. PASTOR. Recognizing that local opposition to the development of farmworker housing has created serious obstacles for this housing program, what steps is Farmers Home Administration taking to lessen local opposition to the construction of farmworker housing?

Mrs. LONGINO. This is a difficult area for the Agency because we require that any FmHA assisted housing meet local zoning and codes. Since local opposition takes so many different forms, FmHA depends upon local sponsors to address these issues. Where the agency best contributes, I believe, is by having the best rental housing possible in the community, whether for farmworkers or non-farmworkers, and making sure that anyone who is interested in the facts of our program has the opportunity to visit a facility we have financed.

We are also available to the sponsors to advise them in addressing potential community opposition. We require sponsors to represent a variety of interests in the impact area, thereby gaining input from all sectors of the community. We often recommend soliciting help from the agribusiness interests who benefit most from such housing—after the farmworkers themselves. In addition, we spend almost ten percent of our resources through experienced labor housing contractors to provide technical assistance to new groups attempting to provide such housing in areas with a need for labor housing, but where there are no units currently.

Mr. PASTOR. What is the estimated unmet demand for farmworker housing funds? What calculations have you made to establish actual need for units to house migrant and seasonal farmworkers? What level of confidence do you assign to the population estimates for migrant and seasonal farmworkers? If you have found reason to

suspect these population figures may reflect an undercount of farmworkers, what provision are you making to help ensure that estimates of housing needs reflect reality?

Ms. LONGINO. Let me begin by saying that we do not have national or regional figures on the migrant and seasonal farmworker population. However, Farmers Home Administration is generally responsive, within one or two fiscal years to all the applications that are presented to the Agency. Over the past ten years, we have spent well in excess of $200 million for this program.

With every application we proces, we review the sponsors' estimate of demand for farmworker housing, exclusive of other housing needs in the community. Since the demand is based in large part on the need for agricultural labor we then ask our local offices for their input in verifying these estimates. If the housing demand is substantiated, we will generally finance fairly small complexes consistent with our limited funding, usually not in excess of 100 units on one site or at one time. If the facility is successful, the Agency and the sponsor are then able to gauge demand and determine if additional units are needed. In this manner, we are able to maintain a high degree of confidence in the demand for our program and can be certain that our funds are being well used.

Mr. PASTOR. Have you considered raising the funding level for farmworker housing to the $21 million contained in the 1993 budget assuming the $10 million supplemental funding is approved?

Ms. LONGINO. We are requesting funding at virtually the same level in FY 1994 as was provided originally in FY 1993. The additional $10.5 million was appropriated under the Dire Emergency Supplemental Appropriations Act of 1992 and was authorzied for the purpose of covering costs arising from natural disasters in FY 1992 and FY 1993.

EMERGENCY LOAN PROGRAM

Mr. PASTOR. What is the funding level the Administration proposed for the emergency loan program? Of that total, what is the estimated level of unmet requests or backlog for such loans? What is the estimated number and total dollar amount of loans expected to be made to flood affected parts of Arizona?

Ms. LONGINO. The proposed allocation of emergency loans for fiscal year 1994 is $121 million. Ample funding is available for emergency loan requests in fiscal year 1993. Therefore, there will be no backlog of unfunded applications going into fiscal year 1994. It is estimated that 45 emergency loans totalling $6.3 million will be made in Arizona counties affected by flooding in 1993.

SPONSORS OF FARMWORKER HOUSING

Mr. PASTOR. Let me ask you, because of my curiosity about that Florida project. Sometimes it is difficult to find a group or an agency that will take on the venture. The infrastructure, the social infrastructure, of many of our rural communities is lacking. In many cases, the county itself or the city does not have the initiative or does not have the expertise to do it.

How is it done in Florida? Because I am faced with some of those problems in some of the rural communities in Arizona.

TECHNICAL ASSISTANCE FOR HOUSING

Ms. LONGINO. In Florida, we had staff work with the local groups that were already established, and some of those that had not been formally established. We worked with them in providing them the technical assistance to get a sponsoring group off the ground, and helped them get to the position where they can manage the site themselves, and can provide the services through that nonprofit that the farm workers would need. It is a forging of a partnership of the local community and Farmers Home.

Mr. PASTOR. In many cases, it takes an effort of the agency to empower the people who are going to be living, and also to provide skills so that they can apply for the money and then hopefully manage it themselves.

Do you have monies and resources available to do that empowerment, or is that a service that will be available through your agency?

Ms. LONGINO. We do have some limited funds. However, we can certainly use more funds to assist us in having more staff work with the local groups. And from my background as an advocate from a local rural community, I would say it is very important that the agency be able to provide those technical support services when they are needed to get established and to become stable.

We see this as a long-term investment that would bring two-fold results. Not only will technical assistance enable a community to decide what direction they should go, but it enables them to identify problems early, thereby costing taxpayers less money.

NEIGHBORHOOD REINVESTMENT

Mr. PASTOR. I am familiar with, and have worked with the group Neighborhood Reinvestment, that basically works with a neighborhood, empowers the neighbors, and organizes them, so that they can develop their housing.

Do you have such a service in the Farmers Home Administration; and if you do not, would you consider providing it?

Ms. LONGINO. The only assistance that I am currently aware of that we have in Farmers Home is with the farm labor housing, as I just explained.

TECHNICAL ASSISTANCE

Mr. PASTOR. I guess that what I am getting to is do you provide a service where you actually try to go out to a community that lacks housing and try to organize them, and help them develop the ability and the skills necessary to construct the housing. Especially where you have local governments who are not interested, or when you do not have the housing authorities which will dedicate the time and resources to develop the housing. In those cases there is no effort made, but the people who have a need for housing and want housing remain unassisted. At times, this happens simply, because to make it happen they just lack the skills.

The assistance provided by groups like Neighborhood Reinvestment is invaluable. They go in and work with the neighbors and get them organized, so they can provide for themselves,.

Ms. LONGINO. We do have technical assistance that we are able to provide to nonprofits in local communities who are aiding low-income persons in constructing modest housing through the mutual self-help method. This method provides affordable housing at a reduced cost. We are providing this service in many of our States.

SELF-HELP HOUSING

Mr. PASTOR. Two more questions, Mr. Chairman.

I have to tell you that I am a great believer in self-help housing. I have seen this program work well in small communities in Arizona where families have gotten together and were to construct their homes with great pride.

The $10 million that you talk about in your statement you say would help a thousand additional people move into decent housing.

My question is, do you have any estimate of what the unmet needs are in rural America that we are not addressing yet?

Ms. LONGINO. With regard to self-help housing or housing in general?

Mr. PASTOR. Self-help housing.

Ms. LONGINO. We do not have any statistics available on what the needs are in terms of self-help housing. However, our self-help housing program has been very successful. And again, that program is a program that relies a lot upon community initiatives.

Mr. PASTOR. Yes.

Ms. LONGINO. And that varies from State to State.

UNMET HOUSING NEEDS

Mr. PASTOR. Let me ask you housing needs in general in rural America, unmet needs, do you have any idea what they might be?

Ms. LONGINO. In regard to our total needs for housing in general, I would like to defer that question to our Assistant Administrator for Housing, Mr. Thfarrington.

Mr. PASTOR. That is fine. Thank you.

Mr. THARRINGTON. Congressman, let me say this. We recently received Bureau of Census data that gives us the number of substandard housing units in rural America. We could certainly furnish you that data which is by State. I think this data and the fact that FmHA has approximately 60,000 applications on hand gives a good indication of the need in rural America.

UNMET NEEDS VERSUS APPROPRIATIONS

Mr. PASTOR. Thank you for the information. And if you could add one more item. Your estimate of how much of that unmet need will be met through the appropriations for fiscal year 93.

Mr. THARRINGTON. Yes, we can.

Mr. PASTOR. OK.

[The information follows:]

We believe that the total current appropriations for single family and multifamily housing programs will assist 108,474 units.

FMHA AUTOMATION

Mr. PASTOR. The question that I have on the administrative expenses, you say that we are going to have an automation system that is fast, accurate, thorough, and flexible.

Can you describe it, will we be able to communicate electronically from Washington to the state offices, and beyond that, could you go into some detail on that?

Ms. LONGINO. Our ultimate desire will be to communicate, not only from the National Office to our State and local offices but to the other agencies that have programs that are related.

Mr. PASTOR. How far are you into this automation, is it just beginning, or are you halfway there, have you assessed the progress of it?

Ms. LONGINO. We are still in the planning process. However, a lot of preplanning work has already gone on in that area. We are currently looking at the total need of what would be involved.

FMHA EMPLOYEES

Mr. PASTOR. In the same statement, you say that you want the motivated work and careful work from current Farmers Home employees.

Ms. LONGINO. Yes, sir.

Mr. PASTOR. I am kind of new to the game myself. But people explain to me or tell me that it is a good old boy system in Farmers Home.

So what are we going to do about future employees?

Ms. LONGINO. We want to utilize all of the talents and all of the abilities of our current employees and our future employees at Farmers Home, and have them as full partners in performing Farmers Home's mission.

AFFIRMATIVE ACTION AT FMHA

Mr. PASTOR. Maybe I should be more specific.

Are you going to have as one of your objectives affirmative action, are you going to have outreach for minority and women employees?

Ms. LONGINO. I believe that those programs are already in existence at Farmers Home.

Mr. PASTOR. How successful do you think that they have been in the past?

Ms. LONGINO. I do not have the data that would give me the answer to that at this time. However, I would be more than happy to have it researched and submit it to you in writing.

[The information follows:]

The USDA Office of Advocacy and Enterprise provides each USDA agency with a quarterly tracking report to show how successful their affirmative action has been. I have attached extracts of the most recent FmHA tracking report which shows a net increase of 20 minority employees, 82 women, and 128 disabled employees for the first two quarters of Fiscal Year 1993. Also please remember that for the second quarter of FY 1993, FmHA was under a partial hiring freeze which affected total employment for this period.

RUN DATE 03/29/93 EEO15302 U.S. DEPARTMENT OF AGRICULTURE WORKFORCE DIVERSITY TRACKING REPORT PAGE 1

PERMANENT EMPLOYEES - AGENCY AGGREGATE

FARMERS HOME ADMINISTRATION

ALL PERMANENT EMPLOYEES

1ST QUARTER 09/20/92 - 12/26/92

	BLACK M	BLACK F	HISPANIC M	HISPANIC F	ASIAN M	ASIAN F	NATIVE AMERICAN M	NATIVE AMERICAN F	WHITE M	WHITE F	TOTAL M	TOTAL F	TOTAL A
BEGIN WORKFORCE	345	684	199	297	34	73	43	95	3,977	5,906	4,598	7,055	11,653
GAINS	15	19	9	13	1	2	2	5	152	173	179	212	391
LOSSES	14	18	8	9	1	1	2	3	81	85	106	116	222
NET CHANGE	1	1	1	4		1		2	71	88	73	96	169
ENDING WORKFORCE	346	685	200	301	34	74	43	97	4,048	5,994	4,671	7,151	11,822

2ND QUARTER 12/27/92 - 03/20/93

	BLACK M	BLACK F	HISPANIC M	HISPANIC F	ASIAN M	ASIAN F	NATIVE AMERICAN M	NATIVE AMERICAN F	WHITE M	WHITE F	TOTAL M	TOTAL F	TOTAL A
BEGIN WORKFORCE	346	685	200	301	34	74	43	97	4,048	5,994	4,671	7,151	11,822
GAINS	10	12	8	6		3		3	37	118	55	142	197
LOSSES	6	12	7	5			1	1	68	138	82	156	238
NET CHANGE	4		1	1		3	-1	2	-31	-20	-27	-14	-41
ENDING WORKFORCE	350	685	201	302	34	77	42	99	4,017	5,974	4,644	7,137	11,781

YEAR TO DATE 09/20/92 - 03/20/93

	BLACK M	BLACK F	HISPANIC M	HISPANIC F	ASIAN M	ASIAN F	NATIVE AMERICAN M	NATIVE AMERICAN F	WHITE M	WHITE F	TOTAL M	TOTAL F	TOTAL A
BEGIN WORKFORCE	345	684	199	297	34	73	43	95	3,977	5,906	4,598	7,055	11,653
GAINS	25	31	17	19	1	5	2	8	189	291	234	354	588
LOSSES	20	30	15	14	1	1	3	4	149	223	188	272	460
NET CHANGE	5	1	2	5		4	-1	4	40	68	46	82	128
ENDING WORKFORCE	350	685	201	302	34	77	42	99	4,017	5,974	4,644	7,137	11,781

FMHA PERSONNEL DIV

RUN DATE 03/29/93 EEOT5502 U.S. DEPARTMENT OF AGRICULTURE WORKFORCE DIVERSITY TRACKING - DISABLED EMPLOYMENT REPORT PAGE 7

PERMANENT EMPLOYEES - AGENCY AGGREGATE

FARMERS HOME ADMINISTRATION

	SES,GS16-18 & EQUIVALENT			GM/GS 13-15 & EQUIVALENT			GS 9-12 & EQUIVALENT			GS 1-8 & EQUIVALENT			BLUE COLLAR & EQUIVALENT			ALL LEVELS		
		DISABILITY			DISABILITY			DISABILITY			DISABILITY			DISABILITY			DISABILITY	
	TOT	RPT'D	TGT'D	TOT	RPT'D	TGT'D	TOT	RPT'D	TGT'D	TOT	RPT'D	TGT'D	TOT	RPT'D	TGT'D	TOT	RPT'D	TGT'D
1ST QUARTER 09/20/92 - 12/26/92																		
BEGIN WORKFORCE	7			760	36	2	4,907	210	32	5,976	274	64	3			11,653	520	98
GAINS				56	27	1	145	258	18	189	295	16	1			391	580	35
LOSSES	1			13			53	3		155	7	1				222	10	1
NET CHANGE	-1			43	27	1	92	255	18	34	288	15	1			169	570	34
ENDING WORKFORCE	6			803	63	3	4,999	465	50	6,010	562	79	4			11,622	1,090	132
2ND QUARTER 12/27/92 - 03/20/93																		
BEGIN WORKFORCE	6			803	63	3	4,999	465	50	6,010	562	79	4			11,822	1,090	132
GAINS	1			19	4		55	65	8	122	67	2				197	136	10
LOSSES	2			17			50	4		169	10	5				238	14	5
NET CHANGE	-1			2	4		5	61	8	-47	57	-3				-41	122	5
ENDING WORKFORCE	5			805	67	3	5,004	526	58	5,963	619	76	4			11,781	1,212	137
YEAR TO DATE 09/20/92 - 03/20/93																		
BEGIN WORKFORCE	7			760	36	2	4,907	210	32	5,976	274	64	3			11,653	520	98
GAINS	1			75	310	1	200	323	26	311	362	18	1			588	716	45
LOSSES	3			30			103	7		324	17	6				460	24	6
NET CHANGE	-2			45	310	1	97	316	26	-13	345	12	1			128	692	39
ENDING WORKFORCE	5			805	67	3	5,004	526	58	5,963	619	76	4			11,781	1,212	137

Mr. PASTOR. If you find that they have been ineffective, what will be your objective in implementing those plans that may have proven ineffective in the past?

Ms. LONGINO. I would have to make that assessment after the research and review has been done.

Mr. PASTOR. I would encourage you to do it, and we will be here to support you.

Ms. LONGINO. Thank you.

Mr. PASTOR. Thank you, Mr. Chairman.

APPRAISALS

Mr. DURBIN. Thank you very much, Mr. Pastor.

Ms. Longino, it is my understanding that FIRREA, the Financial Institutions Reform, Recovery and Enforcement Act required each Federal agency to issue rules for appraisal standards and appraiser qualifications, and each state to set up a state licencing and certification system.

I cannot see that there is any longer a reason for the difficulty which I alluded to earlier, where we are paying more for appraisers and waiting twice as long to get their report. It appears now that under this law that you have the authority through Farmers Home to change this.

Is there any reason why this has not happened to date?

Ms. LONGINO. Before making a change, Mr. Chairman, I wanted to have a complete assessment done, because we want to get away from change just for change. We want to change for the better.

Mr. DURBIN. Let me just say that it is not change for the sake of change when we are paying thirty percent more for appraisal services and taking twice as long to receive them.

Ms. LONGINO. Yes, sir.

Mr. DURBIN. And I also want to warn you, having sat in this chair for a number of years or at this table, that when Federal agencies start doing studies, you and I are going to be long gone before those studies arrive. And please, try your very best to expedite these in your agency. Because I think that it will make it more efficient.

Ms. LONGINO. Mr. Chairman, when I said that we are studying it, we are looking at how that is affecting each State, and the States that are being affected the most, and where they are having the biggest problem.

INCREASE FOR FARM OPERATING LOANS

Mr. DURBIN. Let me ask about one of your budget items. And that is on operating loans and guaranteed unsubsidized loans. There is a dramatic increase in the request between fiscal year 1993 and 1994, from $1.5 billion in 1993 to $3.5 billion in 1994.

Are the banks ready for this kind of increase in guaranteed unsubsidized loans? Is there a backlog, that accounts for this dramatic increase?

Ms. LONGINO. One of the things that accounts for this dramatic increase is the lowered cost to the Government for making these loans. In some of our areas, the banks are not ready. However, in other areas, we have more flexibility.

Mr. DURBIN. It seems like a big increase and a big change. And I would think that you would need to have the banks prepared to step in with these guaranteed unsubsidized loans in a big way, operating loans, to meet this requirement.

Ms. LONGINO. The FY 1994 budget is based on credit reform requirements. Budget authority and outlays reflect the estimated cost to the government of loan programs over the life of the loans. These subsidy costs include interest subsidy, and the costs of estimated delinquency and default. Small changes in loan subsidy costs can have a dramatic leveraging effect on loan program levels. For example, because of lower projected subsidy rates, at a loan cost of $162 million, the proposed direct and guaranteed farm operating loan level for 1994 totals $4.8 billion. The FY 1993 appropriation of $158 million supported a loan level of $2.6 billion.

Mr. DEWHURST. Mr. Chairman, I think that it is important to understand that Congress appropriated a certain amount of money for the anticipated subsidies of these loans. And it turns out that the subsidy rates in these loans are going to be lower than we thought. Defaults are lower and interest rates are more favorable.

The reason for the increase in the program levels is that essentially we can afford a much larger program with the same appropriation. It is the same availability number.

Mr. DURBIN. So you are saying that the same Federal subsidies are going to go further?

Mr. DEWHURST. Goes further. Yes, sir.

Mr. DURBIN. That is a dramatic change.

For $490,000 you get $2 billion in loans; that is a leverage.

Mr. DEWHURST. Yes, sir.

Mr. DURBIN. Let me address another very serious problem. There was a story which was published in the Kansas City Star in February through the Associated Press related to serious allegations against the Farmers Administration Home Lending Program and its discrimination against black farmers. I understand that last year some black farmers in Mississippi and Alabama petitioned USDA and alleged the agency had refused to respond to reports of blatant race discrimination by local Farmers Home officials.

In fairness to the new Secretary, I would say that he has stated publicly that he sought to call attention to discrimination in the Farmers Home Administration programs as a member of Congress, and I am certain that he is going to use, as he has said, the full force of his office to fight to ensure equal opportunity for all Americans in the Farmers Home Administration.

Can you tell us the status of petitions by these farmers in Mississippi and Alabama and what the Farmers Home Administration is doing to address this issue?

Ms. LONGINO. One of the things that we have initiated in the last month or so is the high priority of assisting the minority farmers, and assuring that they have access to credit through the Farmers Home Administration. We have been very aggressive in informing our county and our State offices of the Secretary's desire to make sure that all of the minority farmers that come in are able to receive the full assistance of the office. We have met consistently with different groups representing minority farmers, and we are providing assistance.

AMOUNT OF LOANS TO MINORITY FARMERS

Mr. DURBIN. One of the problems that the Associated Press found was that black farmers on the average received 51 cents for every dollar loaned to white farmers during the Reagan and Bush administrations.

Is that being addressed in this reform that you have mentioned?

Ms. LONGINO. Yes, sir. We are going to assure that every borrower that comes in will receive equal treatment in Farmers Home. And as you stated earlier, the Secretary has made it very clear to Farmers Home and all of USDA agencies that we are an equal opportunity Department, and our programs will be implemented accordingly.

COUNTY COMMITTEES

Mr. DURBIN. I understand that one of the problems that has been perceived is that these loans must be approved, or eligibility for the loans must be approved by county committees of Farmers Home Administration. The press story indicates that there were 6500 county committee members across the country, and 90 percent of them are white.

Is that press account accurate?

Ms. LONGINO. Our acting assistant administrator for Farmer Programs has been in the process of following that area. Could I ask him to give you the answer to that at this time?

Mr. DURBIN. Could you please identify yourself?

Mr. RADINTZ. Yes, sir, Mr. Chairman. I am Jim Radintz, the Acting Assistant Administrator for Farmer Programs.

I cannot tell you the exact ethnic breakdown of our county committees. I think it is important for you to know, though, that the law requires that two of the committee—there are usually three people on a committee in every county or area—two of those are elected by law, and they are elected from the farmers in the area, similar to the way ASCS committees are elected.

One of the things that our people tell us is that they have more than a little bit of difficulty getting people to agree to run and serve on committees, because it is basically a public service duty. They do not receive any compensation other than travel. In some cases, as you are probably aware, serving ends up being a fairly significant demand of their time.

Mr. DURBIN. How many county committee members are there across the Nation related to the Farmers Home Administration?

Ms. LONGINO. At the end of FY-93, there were 6,054 Farmers Home Administration County Committee members throughout the Nation.

Mr. DURBIN. How many of those are non-white?

Ms. LONGINO. Approximately 12 percent or 715 of the 6,054 County Committee members are non-white.

Mr. DURBIN. What is the Farmers Home Administration doing to address minority issues in county committees?

Ms. LONGINO. It is FmHA policy that membership on the Committees reflect—to the extent possible, the diversity of the individuals served by the Committee. This policy is provided in agency regulation. In addition to written regulations, an annual reminder

is sent out to State Directors reminding them of their responsibility to engage in community outreach and informational activities designed to educate minorities and women on FmHA programs and the functions of the County Committees. I will submit a copy of the reminder for the record.

[The information follows:]

United States Department of Agriculture | Farmers Home Administration | Washington D.C. 20250

JUN 1 0 1992

SUBJECT: Minority and Women Representation on FmHA County Committees

TO: All State Directors

It is the policy of the Department of Agriculture that membership on USDA boards and committees reflect, to the extent practicable, the diversity of the individuals served by the programs. To carry out this policy, each agency served by boards and committees shall:

1. Engage in community outreach and information activities to educate minorities and women on the nomination, election, selection or appointment processes for boards and committees.

2. Monitor and evaluate those activities for effectiveness.

In this regard, FmHA's policy on county committees is provided in FmHA Instruction 2054-W, Employment, Pay, and Functions of County and/or Area Committees, and is similar to that of the Department.

I would like to remind you of your responsibilities for ensuring that your county committees mirror, to the extent possible, the population that they serve. These responsibilities are applicable to the election process and the selection of the designated members of the county committees.

This is the year that the appointments of the designated members of your FmHA County Committees should expire. The new appointments should be made no later than July 31, 1992. When making your selections for the designated members, you must consider the current diversity of your committees and make changes in those committees that do not reflect the diversity of the community that they serve. These changes should be consistent with current FmHA and USDA policy as indicated above.

To assist you in your efforts to assure diversification of your county committees by locating, selecting and appointing minorities and women, your outreach efforts should involve your public information coordinator (PIC), state civil rights coordinator, and, where applicable, visiting professors. Examples of outreach include meeting with farm interest groups

EXPIRATION DATE:
May 20, 1993

FILING INSTRUCTIONS:
Administrative/Other Programs

which deal primarily with minority or women farmer issues, working with the Cooperative Extension Service of the 1890 Land Grant Institutions, announcements of the availability of committee positions in minority or minority-oriented press as well as public service announcements on minority orientated radio stations.

National Office Human Resources is currently developing RSNO data on county committees. This data will be used to assess our efforts to diversity our committees to reflect the community they serve. The results of this assessment will be reported to the Secretary of Agriculture on December 31, 1993.

I am confident that you will make every good faith effort to carry out my policy in this regard.

La Verne Ausman

LA VERNE AUSMAN
Administrator

Sent by Electronic Mail on 6/12/92 at 9:09 am by GSS. The State Director should advise other personnel as appropriate.

DISCRIMINATION IN LOAN MAKING

Mr. DURBIN. I understand that, and I certainly appreciate the service we have received from many county committee members who have given unselfishly to make sure that this agency works well. But if we are faced with this problem, if in fact there is discrimination in the approval of loans at a county level, then we still have to address it despite the fact that some county committee members are giving willingly of their time. And if that means reforming the process and changing the way that we do this, perhaps that is what will have to take place.

But I think what we want to be sure of, and the Secretary appears to agree with me, is that discrimination be eradicated when it comes to these loan approvals. And if it means changing the process, changing committee membership, then I am prepared to address that. But the bottom line is that we have to absolutely rid discrimination from this process. If it is taking place. These statistics indicate there is a problem.

Mr. RADINTZ. Yes, sir.

Mr. DURBIN. Would you agree with that?

Mr. RADINTZ. Yes, sir, I would.

Mr. DURBIN. Okay. And what process is being followed, what steps are being taken to change this?

Mr. RADINTZ. Well, for one thing we have in the past set program management goals based on outreach to members of socially disadvantaged groups, and we have looked at loan obligations.

I am not sure if it is in that article, but I think there was a related article that indicated that since we implemented the socially disadvantaged program, the dollars of loans, the breakdown between minority farmers and white farmers had increased to about 75 cents on the dollar.

We have recently also started, I believe as a result of the 1990 Farm Bill, targeting operating funds in addition to farm ownership funds, and we anticipate, as part of the Administration's initiatives, to also start setting performance goals in those areas to provide our employees with some incentive to reach out to provide help to people in the community that need help.

I think also that initiatives to reduce paperwork will go far in reaching out to these borrowers. And I think as a combined effort all of those things should increase minority participation in our programs.

Mr. DURBIN. You have requested $10,000,000 for grants for outreach and technical assistance for socially disadvantaged farmers. In your statement, you indicate that rules and regulations for this program will be out soon. Could you tell us exactly when you anticipate getting those rules published in final form.

Mrs. LONGINO. We are presently working on procedures and regulations to administer the $10 million requested under the provisions of P.L. 101–624 Title XXV, Section 2501, for grants and other agreements to provide outreach and technical assistance to socially disadvantaged farmers and ranchers which will permit them to own and operate farms and ranches and to participate in agricultural programs. It is anticipated that rules and regulations will be

published in final form prior to the new fiscal year beginning October 1, 1993.

Mr. DURBIN. Do you anticipate distributing these funds on a formula basis or on a state-by-state request basis?

Mrs. LONGINO. We are developing procedures for distributing these funds on the basis of eligibility and need. Regulations will provide criteria for evaluating proposals submitted by community based organizations, colleges and other educational institutions who can qualify and where there is clearly a need for such assistance.

Mr. DURBIN. Describe for us a typical grant and how it would be used? Do these grants go to individual farmers or to groups?

Mrs. LONGINO. We anticipate that funds will be distributed to community based organizations and educational institutions rather than individuals. Recipients of these funds will either provide outreach or technical assistance, or both. Qualified individuals will be hired by the organization or institution to contact socially disadvantaged farmers and ranchers, one-on-one, to discuss their needs, explain programs and services, and assist them to request and qualify for needed assistance. Technical assistance will be provided through educational institutions and/or community based organizations by making training available to individuals and groups of farmers and ranchers. Individual assistance on such farm management matters as land preparation, planting, seed varieties, harvesting and marketing, is also available. Sources of financial assistance, such as FmHA, will be identified and assistance provided to qualify for credit, where needed.

CLOSING REMARKS

Mr. DURBIN. Okay. Well, thank you very much for joining us, and we will be in touch with you. I hope that you will take my challenge seriously in terms of reducing paperwork and the time involved in the application approval process. I would like it if you could be as specific as possible if you believe changes are necessary from our level here on Capitol Hill.

Ms. LONGINO. Yes, sir.

Mr. DURBIN. And if also you would keep us informed as to your progress in reducing paperwork and the time required for application approval at the local level.

Ms. LONGINO. I certainly will. Thank you, sir.

Mr. DURBIN. Thank you for joining us. It was our pleasure to meet with you today. Thank you.

Ms. LONGINO. Thank you.

SHARRON S. LONGINO

Sharron S. Longino was appointed Associate Administrator of the Farmers Home Administration by Secretary of Agriculture Mike Espy on February 22, 1993. She also is currently serving as Acting Administrator of the Agency.

Ms Longino, a native of Hazlehurst, Miss., has more than 16 years experience with FmHA programs from several vantage points.

When she worked as a paralegal in central Mississippi between 1976 and 1987 and with a private attorney who handled civil rights cases, some of her clients were FmHA borrowers.

In 1987, after Mr. Espy was elected to Congress, Ms Longino joined his district office staff in Yazoo City, Miss., where she handled cases from constituents with FmHA concerns. She later became chief caseworker for Mr. Espy and served in that capacity until her appointment as Associate Administrator.

She and her husband Jeff have three daughters.

FARMERS HOME ADMINISTRATION
STATEMENT OF SHARRON S. LONGINO, ACTING ADMINISTRATOR
Before the
SUBCOMMITEE ON AGRICULTURE, RURAL DEVELOPMENT,
FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES

Mr. Chairman, and Committee members, I am pleased to present the Farmers Home Administration fiscal year 1994 appropriation request.

FmHA continues to respond to rural families, just as we did in the troubled 1930's. Then, our loans and other assistance gave hope to hard-working rural people, allowing them to stay on their farms. Shortly after World War II, our loans began making it possible for thousands of rural families to own their homes. Later, Congress gave us additional tools to respond to water, sewer, community facility, and business development needs of rural areas. Those programs are now in the care of the Rural Development Administration.

We still find many rural areas caught in poverty. In response, Farmers Home will strengthen its mission of providing economic empowerment through a compassionate, supervised lending program. Our pledge to you is to manage the resources you appropriate to us by putting people first. The Secretary early last month demonstrated his concern when he suspended farm foreclosures not already in court in order to give borrowers a chance to ask for a review of their case.

Our pledge to taxpayers is to administer our programs efficiently and to make sure our borrowers are treated fairly and equitably in every way. The State,

district, and county structure of FmHA and the labors of hard-working FmHA employees belong to the American people. As we move to the creation of a new Farm Service Agency we will make every effort, I assure you, to handle these assets with care. The organization and structure of the Farm Service Agency will serve customers and taxpayers. We know that service to farm and housing customers will improve and efficiencies brought by consolidation will reduce operating costs--a benefit for all taxpayers.

CURRENT PROGRAM STATUS

Farmers Home ended fiscal year 1992 with almost one million borrowers. Total outstanding direct and guaranteed loans were $51 billion. Farm loans accounted for $21 billion or 41 percent of the Farmers Home loan portfolio, including approximately $5 billion in guaranteed loans. We made $2.3 billion worth of farm loans during fiscal year 1992, and guaranteed loans were 68 percent of this total. This marks the sixth consecutive year in which guaranteed farm loans have accounted for more than half the total dollars loaned. We are continuing to implement the Agricultural Credit Act of 1987 to assist our financially distressed farm borrowers who seek to have their debt restructured. We will make every effort to help as many of the borrowers as possible stay in business and bring their loans current.

In fiscal year 1992, we made nearly $2.6 billion in loans to rural families to finance improved housing. Over $1.2 billion was for subsidized single family loans for low-income people in rural areas, while $574 million was for multi-family housing loans to assist persons with very low, low and moderate incomes and for those age 62 and older in small communities. We ended fiscal 1992

with $30 billion in rural housing loans outstanding to over 714,000 borrowers, which is 59 percent of our loan portfolio.

GUARANTEED LOANS

The FmHA program budget request for FY 1994 is in harmony with the Administration's belief that Government is a partner with the private sector working for growth. Nowhere is this partnership for development clearer than in the role of guaranteed loans in our FY 1994 request. Everyone gains through guarantees. Because of government guarantees, private lenders assist borrowers who otherwise might be considered not creditworthy. Because private lenders service the loans, FmHA, while carefully monitoring the guarantee process, is freed up to make and service its direct loans. Recently, we have been able to add interest assistance to guaranteed farm loans, qualifying some borrowers for private credit for the first time and allowing other borrowers to move from direct to private sector loans. In line with this trend toward guarantees, we are proposing a slight reduction in direct farm operating loans in favor of subsidized guaranteed operating loans.

In fiscal year 1993, the stimulus package calls for more guaranteed single family housing loans that will meet a ready demand. The FY 1994 budget continues this trend for guaranteed rural housing loans. This program is successful from our standpoint and is well received by private lenders.

FARM PROGRAMS

Supervised direct farm lending programs show how government can empower people who are left out of private credit markets because they are considered to be too great a risk. Credit extended by FmHA helps these farm families to become productive members of their communities. Our credit programs are a cost-effective option for government because most of the program funding extended to borrowers is ultimately repaid. The 1994 budget request for the cost of operating loans is $162 million, which will support a loan level of $4.8 billion. Of this amount, the loan cost request for guaranteed operating loans is $69 million, which will support a loan level of $4 billion, consisting of $3.6 billion in guarantees without interest assistance, and $426 million in interest-assisted guarantees. The loan cost request for direct operating loans is $94 million which will support a loan level of $796 million.

The 1994 budget request for the cost of farm ownership loans is $35 million, which will support a loan level of $643 million. This includes $564 million in farm ownership guarantees without interest assistance. The $79 million in direct ownership loans will be targeted to beginning farmers and socially disadvantaged applicants.

In addition, the Administration is requesting funding for the first time in the amount of $10 million for grants to community based organizations and to colleges to reach out and assist socially disadvantaged farmers to own and operate farms. No longer should minority farmers, women farmers, or beginning farmers feel that FmHA has a deaf ear to their hopes and plans

Also, Farmers Home is hard at work gearing up for the new program for beginning farmers and ranchers passed by the Congress at the end of your last session. Qualifying beginning farmers will be eligible for down payment, ownership, and operating loans. In addition, the law reserves 55 percent of direct farm ownership loans, 25 percent of farm ownership guarantees, and 30 percent of direct operating loans for beginning farmers in fiscal year 1994. Regulations have been developed for the act's provision for simplified applications for guaranteed loans of $50,000 or less and for the certified lenders program. Regulations for the remaining provisions of the act have been drafted and are in the Agency clearance process.

Loans for sale of inventory property in 1994 are estimated at $149 million, a substantial increase over the current appropriation, reflecting the major effort we will make in FY 1994 to make inventory properties available to socially disadvantaged, young, and beginning farmers.

The program level request for emergency loans of $121 million should be adequate for expected demand. Demand in 1992 was $75 million.

HOUSING PROGRAMS

Our single family housing credit programs empower thousands of rural families by giving them a chance to own modest homes and build equity, just like their neighbors who have access to private lending. The people served by our Agency, even though they are considered the highest credit risk, pay their bills. Borrowers are able to experience the pride of home ownership.

Relatively few become delinquent and when they do, it is usually because of a loss of job or other such setback.

The typical family being served through the direct single family housing program has an annual income of about $15,900. Interest rates for these loans can be subsidized to as low as one percent and the average interest rate for subsidized loans in our portfolio is about 3.5 percent. Our request for the cost of direct and guaranteed single family housing loans is $386 million, which will support a $932 million increase in loan program level, totalling $2.6 billion. Of that amount, $1.9 billion will be available for direct loans, and $682 million for guaranteed loans for moderate-income families who can afford to pay market interest rates but require a guarantee to obtain private sector credit.

Our repair loans and grants help low-income people, particularly the elderly, fix their dwellings so that they are safe, sanitary, and weather-tight. Even in 1993, we are still helping people achieve indoor plumbing for the first time in their lives. For a cost of $16 million, we will provide $42 million in housing repair loans. Our nousing repair grant request is $31 million for 1994.

For those whose incomes cannot support repayment of a housing purchase, we finance the construction of multi-family housing and provide rental assistance to tenants. Eighty-five percent of those served by the rental housing program have incomes below fifty percent of the area median. Our request for the cost of rental housing loans is $314 million, which will support a loan level of $547 million, providing about 13,280 families with rental housing. Our

request for the rental assistance program, which makes rural rental housing affordable, is $422 million. We are asking for changes in appropriation language to give us more flexibility in allocating between renewal of expiring rental assistance contracts and servicing needs, and rental assistance provided for new construction. This flexibility would allow us to adapt to changes in the demand for new construction as well as the number of renewals and additional units of rental assistance required to keep existing projects viable and prevent tenants from being evicted.

In our portfolio alone, we have 80,000 families paying more than 30 percent of their incomes for rent and 20,000 vacant units. For example, in Friars Point, Mississippi, 30 applicants are waiting for 10 vacancies and in Rosedale, Mississippi, one apartment complex has 25 families on a waiting list for 6 vacancies. Without rental assistance, none of the families would be able to move in and the units would remain vacant, a loss to the community and to the government. In addition, several of the 10 existing tenants in Rosedale are paying up to 75 percent of their income in rent, far above the 30 percent that would be possible under rental assistance.

This year we are requesting $75 million for housing vouchers for use in communities where an adequate supply of rental houses or apartments are available. This is a modest request that would assist about 3,750 families.

Under Secretary Espy's direction, we are already at work to make your existing appropriations serve more people. For example, in response to single family housing demand, we moved up third and fourth quarter apportionments so that funds would be available as peak construction times arrive.

Also, we are increasing by $10 million the amount of Section 502 single family housing funds that we are directing for self-help housing. Since 1971, about 20,000 homes have been built by groups of six or more families working together with a construction supervisor provided by a Farmers Home grant. Low-income families average 1,000 hours in sweat equity while performing 65 percent or more of the labor required to build their homes. The self-help approach lowers the final cost of the house, making it a bargain for the owner and for the government. Self-help borrowers gain tremendous pride in their achievement which is reflected in a delinquency rate one to four percent less than regular single family housing borrowers. The $10 million, as a match to $5 million contributed by States from their single family allocation, will make it possible for an additional 1,000 people to move into decent housing.

Finally, we plan to make some of our inventory housing available to public housing authorities and community based nonprofit groups for rent, with an option to purchase, to needy rural people. This means the government instead of spending money to care for empty houses will earn some money while placing families in decent homes.

INVESTMENT BUDGET

The FY 1994 housing requests just described include amounts that are part of the President's investment package. The FmHA investment in rural community infrastructure is targeted to new housing construction and housing repairs. The additional outlays will enhance construction opportunities and skills of

current and future workers, leading to higher-wage jobs, and will expand rural America's capacity to produce.

ADMINISTRATIVE EXPENSES

The Salaries and Expenses to administer our programs are budgeted within the request of the Farm Service Agency. In order to reach our program goals, we will need highly-motivated, careful work from current FmHA employees, superb cooperation from private lenders, and an automation system that is fast, accurate, thorough, and flexible. We believe that USDA reorganization, including creation of the new Farm Service Agency will enable us to achieve these goals.

It has been my privilege to present the first Clinton Administration budget request for the Farmers Home Administration. We look forward to contributing our share to the economic empowerment of rural America. We will make sure that funds you appropriate to our care reach the people you intend to help. We are proud of our borrowers and of their payment record, and we need to make sure that FmHA does everything we can so that they can succeed, as farmers and as homeowners. We must operate an agency that is lean, efficient, and, most importantly, customer friendly. We promise to taxpayers that we will provide cost-effective programs that help stimulate and stabilize the rural economy. By working in partnership, we can help realize the vision of an economically and socially dynamic rural America.

Thank you. I will be happy to answer questions you might have.

WEDNESDAY, APRIL 21, 1993.

RURAL DEVELOPMENT ADMINISTRATION

WITNESSES

L. GLENN BENNETT, ACTING ADMINISTRATOR, RURAL DEVELOPMENT ADMINISTRATION

JAMES. C. ANDERSON, DIRECTOR, BUDGET DIVISION, FARMERS HOME ADMINISTRATION

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

OPENING REMARKS

Mr. DURBIN. The next agency which will appear before us this morning is the Rural Development Administration, and we are joined by Mr. Glenn Bennett, who is the Acting Administrator; James Anderson, Director of the Budget Division; and our friend, Steve Dewhurst.

We have your statement, Mr. Bennett, which will be made a part of the record. If you would like at this point to summarize it, we would appreciate it.

STATEMENT OF THE ACTING ADMINISTRATOR

Mr. BENNETT. Mr. Chairman and members of the committee, I am pleased to present the highlights of the 1994 budget for the Rural Development Administration.

I understand that my complete statement will be entered in the record. I would like to summarize a few points.

The RDA's mission is to improve the quality of life in rural America by financing community facilities and businesses, providing technical assistance, and working with state and local governments to create more effective strategies for rural development. RDA's programs are managed through seven regional offices located in rural America with implementation in the field conducted by FmHA staff located at the State and District Offices.

The budget request includes the President's Rural Development Initiative for long-term investment for rural development. Increases are requested for most of our loan and grant programs to upgrade infrastructure, to stimulate rural economic development and increase economic opportunities in rural areas.

The RDA water and waste disposal programs help small rural communities provide basic human amenities, alleviate health hazards and promote the orderly growth of rural areas. RDA assists by providing both funding and technical assistance for water and waste disposal and for solid waste management.

Including the President's investment package, the 1994 request for Water and Waste loans is $876.4 million; a $276 million in-

crease over the fiscal year 1993 appropriation. Water and Waste grants are requested at $540.5 million. Of this amount $25 million is directed for the benefit of the colonias along the U.S.- Mexican border.

Our community facilities programs assist rural communities to modernize their public infrastructure in such areas as rural health care, fire stations and equipment, schools, libraries and other facilities. For fiscal year 1994, we are requesting $389 million for direct and $75 million for guaranteed Community Facility loans. In addition, $51 million is requested for rural business enterprise grants and $3.6 million for Rural Community Fire Protection grants. The Business and Industry loan guarantee program provides businesses critical to the rural economy with government-backed private funding for building a stronger rural economy.

The Intermediary Relending Program targets small, emerging firms with tailored assistance provided through intermediaries, usually regional or local private nonprofit organizations or public agencies that work closely with new firms during early critical years. The President's budget for 1994 includes $300 million for guaranteed Business and Industry loans and $175 million for the direct Intermediary Relending Program. The request for salaries and expenses is $37.5 million, which will support 402 ceiling staff years.

This concludes my statement. I will be happy to answer any questions.

[CLERK'S NOTE.—The Acting Administrator's biography appears on page 542. His prepared statement appears on pages 543 through 549. The budget justification were received by the Committee on April 28, 1993 and appear on pages 550 through 602.]

PROGRAMS ADMINISTERED BY RDA

Mr. DURBIN. Mr. Bennett, RDA has been in existence for about two years, correct?

Mr. BENNETT. Mr. Chairman, RDA came into existence a little over a year ago. It actually started functioning as an agency this fiscal year.

Mr. DURBIN. Are there any programs that you administer through RDA which had not previously been administered through Farmers Home Administration?

Mr. BENNETT. The Farmers Home Administration moved community and business programs over to RDA.

Mr. DURBIN. Let me ask the question again. Are there any different programs or new programs that RDA is administering than those previously administered by Farmers Home?

Mr. BENNETT. Mr. Chairman, we do not have new programs that we would not have had. It seems that we may have a program that has been added under legislation, but that authority would have been our authority with Farmers Home or with RDA.

RDA STRUCTURE

Mr. DURBIN. Tell me before RDA was created, if someone was seeking a loan, a grant through Farmers Home for water and

waste disposal, for example, how would that have worked before the creation of RDA?

Mr. BENNETT. The structure that we had in place prior to the creation of RDA, and as we operate this year in the States is very much the same as we operate under a Memorandum of Understanding with the Farmers Home Administration. That process is that the application for water and waste and for community facilities would normally be filed at our District Office. For the Business and Industry Program, the application would be handled at the State Office level. That is also the way it would have been under Farmers Home. As we operate under the Memorandum of Understanding, the field structure and the mechanics of the program both at the State and District office level is basically the same as it was when we were operating with Farmers Home.

Mr. DURBIN. With one exception. You have added another layer, have you not?

Mr. BENNETT. The organizational structure has a national office. We have seven Regional Offices. Under the Memorandum of Understanding, there is still a staff at the Farmers Home Administration State and District office. Through this organizational structure we are implementing the provisions that were directed by the Congress.

Mr. DURBIN. Let me ask the question again. You have added another layer to the process. Prior to the creation of RDA the person seeking a water and waste disposal loan, for example, would show up at the Farmers Home Administration Office, whether it is a County Office, District Office or whatever, working their way through to the State office, and then finally to the National Office.

You now have another stop in the process in the Regional Office of RDA, do you not?

Mr. BENNETT. We have a Regional Office. Where we had started to go was to have the Regional Office basically replacing the State Offices, and we would have had local offices throughout the country, and more than one in most States. Those local offices would have reported directly to the Regional Office. That is not as we are operating this year with the National Office and the Regional Office being RDA offices, and then the delivery system under a Memorandum of Understanding with the Farmers Home. That is, the FmHA State and District staffs still deliver the programs at the local level.

Mr. DURBIN. I am not getting this.

Does this loan application go through the District Office, to the Regional Office, to the State Office, to the National Office today?

Mr. BENNETT. Today, the applications would still be filed in the District Office for water and sewer. Those offices would report to the FmHA staff in the State Office under the way we are operating this year. If the application has to go to a level higher than the State staff, it would then go to the RDA Regional Office.

Mr. DURBIN. And then ultimately from there to Washington?

Mr. BENNETT. If it would require a national office review, it would come from the region into Washington.

Mr. DURBIN. And before the creation of RDA there was no stop at a Regional Office. They did not exist.

Mr. BENNETT. Prior to the creation of RDA, we did not have regional offices. We had an organizational structure that we were looking at where local offices would have reported directly to the Regional Office. That is not where we are this year.

Mr. DURBIN. Back to my original question. Have we not just added another layer in this process of Regional Offices over what we had before?

Mr. BENNETT. The way that the programs are operating this year is that there are Regional Offices that were not there before. As the FY 1993 funding came to the agency to fund the national and regional offices, with a directive that we operate with the Farmers Home Administration under a Memorandum of Understanding for this year, we find ourself operating as I have described.

RDA REGIONAL OFFICES

Mr. DURBIN. I am not quarreling with what the law requires of you. I am just asking why we have a new layer. And I think I understand that Congress requires it.

Now let me ask you this question. What do we get for this? What did we buy for our Regional Offices? What is different about your approach? Why is it more efficient for loan applications to receive a Regional Office review in this huge area that you have allotted, for example, in the Midwest that stretches from the northwestern corner of Montana to the boot heel of Missouri?

That is certainly not an economic unit. I live in that area. We do not identify with the folks in Missoula a lot and they do not identify with us.

Why do we have that kind of regional structure? What does it do? What does it add to the process?

Mr. BENNETT. Mr. Chairman, we tried to come up with the best delivery system that we could for this year. As to how we will operate in the future, whether there are more efficient ways of operating, what a new delivery system would look like five or 10 years down the road, I do not know. I think that this is being looked at to see how we can best operate in the future. I think Ms. Longino alluded to there being a review of the programs and the delivery structure of the department.

As we tried to come up with what would be, in our views, the way that we could operate under the Congressional directives that we had this year, we found that the current delivery system was what we needed for the present time.

REVIEW OF RDA STRUCTURE

Mr. DURBIN. So we have seven Regional Offices; is that correct?

Mr. BENNETT. That is correct.

Mr. DURBIN. And you are saying you might change their boundaries and jurisdiction?

Mr. BENNETT. As I understand it, we are going to be a part of the review of the Department. As to what will be determined in the future on that, I think is something that is being looked at at the present time.

Mr. DURBIN. We are all aware that USDA is under great pressure to consolidate and reform its entire office structure, and that

Secretary Espy has proposed a Farm Service Agency, which includes Farmers Home, Soil Conservation Service, and the ASCS offices. Part of the original proposals for the Rural Development Administration was to establish area offices. In light of the USDA consolidation effort, is there still a proposal to establish area offices for RDA?

Mr. BENNETT. RDA has no intention at this time of establishing area offices. The future structure of RDA is a part of the reorganization study currently being conducted by the Secretary's office.

Mr. DURBIN. Considering the apparent need to eliminate excess overhead, is USDA considering eliminating the 7 regional offices for RDA and continuing to provide rural development service through the existing Farmers Home structure?

Mr. BENNETT. The future structure of RDA is a part of the reorganization study being conducted by the Secretary's office and I am unable, at this time, to state what the future of RDA regional offices might be.

Mr. DURBIN. What would be the cost incurred in fiscal year 1994 to terminate and close the RDA regional offices? Please break this out both in terms of salaries and expenses costs and close-up costs related to lease terminations, etc.

Mr. BENNETT. The cost incurred in fiscal year 1994 to close RDA regional offices should be approximately $6,235,000. Of this total, $5,480,000 would be related to salaries and expenses, based on the assumption that 70 percent of employees in the Regional Offices would be relocated and the remaining 30 percent would choose not to relocate and therefore would be terminated and $755,000 would be related to close-up costs, including the termination of leases.

Mr. DURBIN. Last year, Mr. Hill testified that each regional office would be composed of a Schedule C Regional Director and would have approximately 20–35 positions in each place. We see from your list that the authorized number of RDA staffing for each office ranges from 27 to as high as 45. This seems to be significantly higher than what was testified to last year. Can you explain why your authorized level is that much higher?

Mr. BENNETT. It would appear that Mr. Hill's estimates only include individuals who were actually physically located in Regional Offices. In addition to employees physically located in Regional Offices, State Civil Engineers and State Rural Development Coordinators report organizationally to Regional Offices but are physically located in FmHA State or District Offices. This accounts for the discrepancy in the numbers.

Mr. DURBIN. Have all Schedule C positions been vacated?

Mr. BENNETT. There is currently one Schedule C employee with RDA—the Regional Director in Huntington, West Virginia.

Mr. DURBIN. For the record, would you provide us with a list of each of the 7 regional offices with the number of FTEs currently on board and the authorized FTE level for each.

Mr. BENNETT. We will be glad to.

[The information follows:]

RURAL DEVELOPMENT ADMINISTRATION REGIONAL OFFICE STAFF

Northeast Region, Sayre, PA, 34 employees on board, 45 authorized FTE.
Mideast Region, Huntington, WV, 24 employees on board, 37 authorized FTE.

Southeast Region, Aiken, SC, 20 employees on board, 31 authorized FTE.
Delta Region, Vicksburg, MS, 20 employees on board, 27 authorized FTE.
Southwest Region, Levelland, TX, 20 employees on board, 27 authorized FTE.
North Centeral Region, St. Joseph, MO, 33 employees on board, 44 authorized FTE.
West Region, Klamath Falls, OR, 19 employees on board, 30 authorized FTE.

CHANGES IN SUBSIDY RATES THAT EXCEED 10 PERCENT

Mr. DURBIN. Obviously, all of us are adjusting to credit reform and we need to tune and refine subsidy rates. For any change in a subsidy rate that exceeds 10 percent, please explain the various reasons that account for the change.

Mr. BENNETT. Mr. Chairman, there were no rural development programs that are appropriated to RDA which had subsidy rate changes that exceeded 10 percent.

SUBSIDY RATES

Mr. DURBIN. Mr. Bennett, for the record, would you please provide a table which list the subsidy rates for fiscal year 1992, 1993, and 1994 for all of the rural development loan programs.

Mr. BENNETT. I will be glad to provide that information for the record.

[The information follows:]

RURAL DEVELOPMENT ADMINISTRATION

[Credit Reform Cohorts Subsidy Rates for FY1992, FY 1993, and FY 1994]

	FY 1992 weighted ave. obligated subsidy rate (percent)	FY 1993 pres. budget subsidy rate (percent)	FY 1994 pres. budget subsidy rate (percent)
Rural Development Insurance Fund Program Account:			
Water and Sewer Loans:			
Direct	14.10	14.56	13.88
Guaranteed	[1] −0.72	[1] −0.72	−1.30
Community Facility Loans:			
Direct	10.60	8.41	9.66
Guaranteed	[1] −0.45	[1] −0.45	5.07
Business and Industry Loans:			
Guaranteed	5.87	5.44	0.93
Rural Development Loan Fund Program Account:			
Direct	49.74	[2] 57.28	56.00
Alcohol Fuels Credit Guarantee Fund Program Account:[3]			
Guaranteed	N/A	30.00	N/A

[1] Because a negative subsidy rate was calculated, no subsidy was appropriated. The negative subsidy rates are shown for informational purposes only.

[2] There was a printing error in the FY 1993 President's Budget. The correct subsidy rate is 57.28 percent, not the published rate of 52.28 percent.

[3] The Alcohol Fuels Credit Guarantee program was not established until FY 1993, therefore there was no FY 1992 subsidy rate calculated. The program was not in the FY 1993 President's Budget, but was included in the FY 1993 Appropriations Act. Therefore, the FY 1993 subsidy rate is shown for informational purposes only. No funding is requested in the FY 1994 President's Budget.

ADMINISTRATIVE EXPENSES

Mr. DURBIN. According to the explanatory notes, the administrative expenses of the RDIF will total approximately $55,528,000, compared to $58,208,000 in fiscal year 1993. Since you are increas-

ing the request for most of the loan activity, why are the administrative expenses going down by over $2,500,000?

Mr. BENNETT. Amounts for Salaries and Expenses are distributed between programs on the basis of staff years required to make and service loans and grants, based on Resource Management System standards. The apparent decrease to the RDIF administrative expenses program account is offset by an increase to the RDLF program account and to the salaries and expenses direct appropriation for administration of grant programs.

RURAL DEVELOPMENT INSURANCE FUND

Mr. DURBIN. You asked for a change in language in the rural development insurance fund program account to allow for the disbursement of fiscal year 1994 obligated subsidy to the financing account beyond the five year limitation set by Public Law 101-510. Why is it you need to waive this law?

Mr. BENNETT. Some loans made from RDIF are disbursed over a number of years as the project processes and may take longer than five years to disburse. In accordance with Public Law 101-510, annual appropriation account's undisbursed obligations are canceled after five years. Since some loans make from RDIF take longer than 5 years to disperse, the waiver is requested.

THE REDUCTION OF GUARANTEED COMMUNITY FACILITY LOAN FUNDING

Mr. DURBIN. It appears as though you have reduced the guaranteed Community Facility loan program by $25,000,000. How does this fit into the President's Rural Initiative Proposal?

Mr. BENNETT. The guaranteed Community Facility loan program has been gaining acceptance by lenders and borrowers, but the process has been slow. We feel that with the increase in the direct loan program and the proposed funding level in the guaranteed program, a good, realistic, balance will be achieved.

USER FEES

Mr. DURBIN. During fiscal year 1992, what user fees were collected for RDIF accounts?

Mr. BENNETT. In fiscal year 1992, $1,560,246 was collected for RDIF guarantee fees.

WATER AND WASTE DISPOSAL LOANS

Mr. DURBIN. Please provide a ten-year table that shows the budget request and the appropriation for the past ten fiscal years for the water and sewer loan program. Also, provide the numbers of loans for each fiscal year.

Mr. BENNETT. I will be glad to provide that information for the record.

[The information follows:]

DIRECT WATER AND WASTE DISPOSAL LOANS—FY 1984 THROUGH FY 1993

[Dollars in thousands]

Fiscal year	Requested	Appropriated	Number of loans obligated
1984	$250,000	$270,000	645
1985	250,000	340,000	783
1986	50,000	325,380	698
1987	0	330,380	679
1988	0	330,380	662
1989	250,000	332,880	679
1990	200,000	350,293	686
1991	300,000	500,000	862
1992	425,000	600,000	859
1992 Supplemental		35,500	*0
1993	600,000	600,000	*480

* Thru 3/31/93

GUARANTEED WATER AND WASTE DISPOSAL LOANS—FY 1990 THROUGH FY 1993

Fiscal year	Requested	Appropriated	Number of loans obligated
1990	$50,00	$75,000	0
1991	50,000	35,000	8
1992	0	35,000	12
1993	0	35,000	*1

*Thru 3/31/93

Mr. DURBIN. How many applications are currently on hand for the water and disposal loan program? What is the total amount pending?

Mr. BENNETT. As of April 15, 1993, there were 1,266 loan preapplications and applications totaling $1.3 billion.

Mr. DURBIN. What is the difference between a pre-application and an application?

Mr. BENNETT. A preapplication requires only minimal information from an applicant, so eligibility and funding priority determinations can be issued within 45 days. Preapplications normally consist of a preapplication form, State clearinghouse comments, and other readily available supporting information, such as financial statements, audits, organizational documents or existing debt instruments.

An application consists of all information needed by the Agency to establish feasibility, legal requirements, and assure that all Federal, State, and local requirements have been or can be met prior to loan/grant approval or start of construction. This includes more detailed information that has to be developed by the applicant, which could consist of environmental assessments, engineering/architectural reports, plans, feasibility reports, legal agreements, and financials, etc.

The preapplication/application process has worked well, since it allows the Agency to determine eligible communities early on and to require more detailed information from applicants only when there is a reasonable chance that a loan/grant may be approved.

Mr. DURBIN. Please list, by State, the guaranteed water and sewer loans that were made in fiscal years 1991 and 1992.

Mr. BENNETT. I will be glad to.
[The information follows:]

GUARANTEED WATER AND WASTE DISPOSAL LOANS OBLIGATIONS BY STATE

[Fiscal year 1991]

State	Number	Amount
Arkansas	1	$66,000
Kansas	1	20,000
Louisiana	2	210,000
Mississippi	2	282,000
Oklahoma	1	62,500
West Virginia	1	24,000
Total	8	664,500

GUARANTEED WATER AND WASTE DISPOSAL LOANS OBLIGATIONS BY STATE

[Fiscal year 1992]

Arkansas	1	$55,000
California	1	88,100
Iowa	1	137,000
Kentucky	1	8,500
Louisiana	1	186,000
Mississippi	2	3,000,000
North Carolina	1	110,000
Tennessee	1	750,000
Texas	2	60,000
Washington	1	215,000
Total	12	4,609,600

Mr. DURBIN. In fiscal year 1992, what percent of water and waste disposal loans were used for expansion of existing systems?

Mr. BENNETT. In fiscal year 1992, 63 percent of water and waste disposal loans were used for expansion, replacement, and renovation of existing systems.

COMMUNITY FACILITY LOANS FOR HYDROELECTRIC FACILITIES

Mr. DURBIN. Have there been any hydroelectric generation loans made in fiscal year 1992.

Mr. BENNETT. There were no loans for hydroelectric generation facilities made during fiscal year 1992.

COMMUNITY FACILITY LOANS FOR MEDICAL CLINICS AND HOSPITALS

Mr. DURBIN. Also list the community facility loans that were made for medical clinics and hospitals during fiscal years 1991, 1992, and so far in 1993.

Mr. BENNETT. We will be glad to.
[The information follows:]

Medical Clinics and Hospitals Funded

Fiscal Year 1991

Medical Clinics:

State	Name	Amount	Type of Loan
MI	Sterling Area	$32,000	Direct
CA	Chapa De Indian	1,400,000	Direct
CA	Chapa De Indian	1,000,000	Guaranteed
ID	Valley Family	286,000	Direct
ME	Penobscot Indian	127,635	Direct
ME	Regional Med. Center	450,000	Direct
MI	Pullman Health	200,000	Direct
PA	North East Health	58,400	Direct
SD	Faulk County	98,500	Direct
SD	Faulk County	25,000	Guaranteed
WV	St. George Medical	168,000	Direct
AR	North Arkansas	46,300	Direct
AR	North Arkansas	158,000	Guaranteed
AR	Area Agency on Aging	325,000	Direct
IA	Mental Health	145,000	Direct
MA	Outer Cape Health	138,100	Direct
ME	AMHC Facilities Inc.	618,000	Direct
MO	Community	106,300	Direct
NH	Shallow River	250,000	Direct
OR	La Clinica	500,000	Direct
SC	Allendale County	15,000	Direct
SC	Brittons Neck Health	600,000	Guaranteed
VA	Cumberland Mountain	355,000	Direct
VT	Franklin County	400,000	Direct
WV	Roane County Fam. Health	138,100	Direct
	Total Medical Clinics	$7,640,335	

Hospitals:

State	Name	Amount	Type of Loan
IA	Lucas County Health	$700,000	Direct
IA	Monroe County	375,000	Direct
IN	Starke County Hospital	3,800,000	Direct
LA	Rayne Branch Hospital	199,800	Direct
LA	Welsh General Hospital	1,567,000	Direct
ME	The Mount Desert Island	232,281	Direct
MI	Allegan General	1,499,000	Direct
MN	Fairmont Community	3,500,000	Direct
NC	Highlands-Cashiers	5,000,000	Guaranteed
NY	Northern Dutchess	1,100,000	Guaranteed
NY	Chenango Memorial	2,000,000	Guaranteed
NY	Myers Community	5,500,000	Guaranteed
OH	Holmes County	107,000	Direct
PA	The Bloomsburg	4,000,000	Direct
TX	Goodall-Witcher	1,565,000	Direct
VA	Culpepper Memorial	2,000,000	Direct
AR	North Arkansas	749,000	Direct
UT	Davis County Mental Hosp.	263,500	Guaranteed
	Total Hospitals	$34,157,581	
	TOTAL	$41,797,916	

Medical Clinics and Hospitals Funded

Fiscal Year 1992

Medical Clinics:

State	Name	Amount	Type of Loan
Mo	Kabul	$1,531,700	Direct
WI	Brillion	810,000	Guaranteed
AK	Native Viliiage of Minto	57,000	Direct
CO	Limon Doctor's	814,500	Direct
KY	Livingston County	133,100	Guaranteed
ME	Aroostook Valley	479,700	Direct
ME	Harrington Family	540,200	Direct
ME	Mt. Abram Reg. Health	127,500	Direct
ME	Rumford Consolidate	732,000	Direct
MN	Fosston Hospital	867,000	Direct
NC	Orange-Chatham	622,000	Direct
WA	Yakama Valley	1,760,000	Direct
WV	Womencare Inc.	170,000	Direct
AR	Area Agency	75,000	Direct
CA	Merced Family	202,500	Guaranteed
CA	Merced Family	397,500	Guaranteed
FL	Trenton Medical	534,700	Direct
IA	Mental Health	35,000	Direct
IA	Crossroads	360,000	Direct
MA	Tri-River Family	3,000,000	Guaranteed
MA	Center for Human	289,000	Direct
ME	AMHC Facilities, Inc.	275,000	Direct
ME	Families United	50,000	Direct
MN	Northwest Mental	55,000	Direct
MN	Northwest Mental	300,000	Direct
SD	Southern Plains	117,300	Direct
	Total Medical Clinics	$14,335,700	

Hospitals:

State	Name	Amount	Type of Loan
Al	Chatahoochee	$2,428,000	Direct
AR	Lawrence Hospital	750,000	Direct
IL	Massac County Hospital	1,400,000	Direct
IN	Woodlawn Hospital	996,100	Direct
KY	Cumberland Hospital	2,756,000	Direct
LA	St. Helena Hospital	467,000	Direct
LA	Franklin Parish	659,000	Direct
ME	Northern Cumberland	510,000	Direct
ME	Calais Regional	400,000	Direct
MI	Baraga County Memorial	2,250,000	Guaranteed
MI	Carson City Hospital	3,500,000	Direct
MN	United Hospital District	950,000	Guaranteed
MS	Mary Brickell	1,908,000	Direct
NE	Community Memorial	950,000	Direct
NY	Ellenville Community	140,400	Direct
OH	Lawrence County	2,400,000	Direct
OR	Pioneer Memorial	1,600,000	Direct
OR	Pioneer Memorial	300,000	Guaranteed
TX	Goodall-Wicher	983,000	Direct
VT	Copley Hospital	200,000	Direct
FL	Mental Health Services	336,000	Guaranteed
IL	Union County	500,000	Direct
WV	West District	675,000	Direct
	Total Hospitals	$27,058,500	
	TOTAL	$41,394,200	

Medical Clinics and Hospitals Funded
Fiscal Year 1993 as of April 21, 1993

Medical Clinics:

State	Name	Amount	Type of Loan
WI	Brillion Housing	$738,000	Direct
AK	Iliuliuk Family	2,000,000	Guaranteed
CO	Valley Wide Health	450,000	Direct
FL	Florida Community	630,000	Direct
ME	Northern Cumberland	305,000	Direct
ME	Regional Medical Center	144,500	Direct
NE	Community Hospital	630,000	Direct
OR	Coquille Valley	389,300	Direct
UT	Central Valley Medical	548,000	Direct
WA	Yakama Valley Farm	200,000	Direct
WV	E. A. Hawse	318,000	Direct
IN	Perry County Memorial	3,500,000	Direct
MA	CURA V.N.H.	640,000	Guaranteed
ME	AMHC Facilities Inc.	650,000	Direct
MI	Sterling Area	265,000	Direct
NH	Ammonoosuc	100,000	Direct
OH	Clermont County	607,500	Direct
UT	Central Utah	161,000	Direct
	Total Medical Clinics	$12,276,300	

Hospitals:

LA	Jennings American Legion	$1,500,000	Direct
MI	Calumet Public	2,500,000	Direct
NC	Sampson County	10,000,000	Guaranteed
OK	Cleveland Area Hospital	211,200	Direct
OR	Coquille Valley	160,000	Direct
TN	McNairy County	1,765,000	Direct
IL	Union County	45,000	Direct
NY	Lake Shore Hospital	3,100,000	Guaranteed
	Total Hospitals	$19,281,200	
	TOTAL	$31,557,500	

RURAL DEVELOPMENT INSURANCE FUND PROGRAM

Mr. DURBIN. For the record, please provide a table which lists each of the rural development insurance fund programs, indicating the amount requested by the agency, the amount requested by the Office of the Secretary, and the amount allowed by the Office of Management and Budget.

Mr. BENNETT. I will be glad to provide that for the record.

[The information follows:]

HISTORY OF PROGRAM LEVELS—FY 1994

[Dollars in thousands]

	RDA request	USDA request	President's budget
Rural Development Loan Programs:			
Direct Water and Waste Loans	$600,000	$600,000	$876,390
Guaranteed Water and Waste Loans	0	0	35,945
Direct Community Facility Loans	100,000	100,000	389,410
Guaranteed Community Facility Loans	100,000	100,000	75,000
Guaranteed B&I Loans	100,000	200,000	300,000

GUARANTEED BUSINESS AND INDUSTRY LOANS

Mr. DURBIN. Please provide for the record a ten-year table showing the number and dollar amount of business and industry loans made, by fiscal year.

Mr. BENNETT. I will be glad to.

[The information follows:]

GUARANTEED B&I LOANS OBLIGATED—FY 1984 THROUGH FY 1993

[Dollars in thousands]

Fiscal year	Number of loans	Amount
1984	75	$124,352
1985	54	61,338
1986	37	54,803
1987	67	95,700
1988	85	95,415
1989	88	95,677
1990	82	88,473
1991	92	99,955
1992	95	99,994
1992 Supplemental	44	[1] 51,951
1993	52	[1] 56,726

[1] As of March 31, 1993.

LOAN WRITE OFFS

Mr. DURBIN. How many of these loans and for what dollar amount have gone bad since the inception of the program?

Mr. BENNETT. As of March 31, 1993, final loss settlements have been paid on 1,354 guaranteed loans for $804.9 million.

B&I DISASTER LOANS

Mr. DURBIN. Under three different laws, a total of $500 million was made available for B&I disaster assistance. How many loans have been obligated to date?

Mr. BENNETT. The Disaster Assistance Act of 1988, Public Law 100-387, provided $200 million; the Disaster Assistance Act of 1989, Public Law 101-82 provided $200 million, and an additional amount of $100 million was made available under Public Law 101-220. The regulations for this program allowed for funding of all completed applications received by the Agency through September 30, 1991. From inception of the program, 73 loans were made totaling $47,121,940.

Mr. DURBIN. What percent of the B&I loans are currently delinquent and what was the dollar amount of the total delinquency?

Mr. BENNETT. As of March 31, 1993, 14 percent of B&I loans were delinquent totaling $141.8 million.

Mr. DURBIN. What is the total amount of B&I loans that have been written off?

Mr. BENNETT. As of March 31, 1993, final loss settlements have been paid totaling $804.9 million. However, losses paid on loans closed since fiscal year 1985 amounted to 2.4 percent of the total dollars loaned.

SALES OF LOANS FROM THE RURAL DEVELOPMENT INSURANCE FUND

Mr. DURBIN. Have you sold, or do you plan to sell, any loans from the RDIF during fiscal years 1992 or 1993?

Mr. BENNETT. We have not sold, and have no plans to sell, any loans from the RDIF in fiscal years 1992 or 1993.

COMMUNITY FACILITY LOANS

Mr. DURBIN. Please provide for the record a ten-year table showing the number and dollar amount of direct community facility loans made by fiscal year. Also indicate the guaranteed loans since the start of the program in 1990.

Mr. BENNETT. I will be glad to.

[The information follows:]

DIRECT COMMUNITY FACILITY LOANS OBLIGATED FY 1984 THROUGH FY 1993

[Dollars in thousands]

Fiscal year	Number of loans	Amount
1984	173	$129,999
1985	214	115,000
1986	192	95,700
1987	217	95,700
1988	234	95,700
1989	304	95,700
1990	265	94,381
1991	273	100,000
1992	241	100,000
1993 thru 3/31/93	96	43,482

GUARANTEED COMMUNITY FACILITY LOANS OBLIGATED FY 1990 THROUGH FY 1993

[Dollars in thousands]

Fiscal year	Number of loans	Amount
1990	10	$13,599
1991	32	25,000
1992	31	25,000
1993 thru 3/31/93	19	21,946

Mr. DURBIN. How many guaranteed Community Facility loans were made, by State, during fiscal year 1992, and how many have been made to date during fiscal year 1993? Also indicate the total dollar amount by State.

Mr. BENNETT. We will be glad to.

[The information follows:]

GUARANTEED COMMUNITY FACILITY LOANS—FISCAL YEAR 1992

	Amount	Number of loans
California	$577,500	2
Florida	386,000	2
Iowa	40,000	1
Kentucky	260,000	1
Louisiana	100,000	1
Maine	559,200	1
Maryland	1,810,160	1
Massachusetts	4,400,000	2
Michigan	2,250,000	1
Minnesota	950,000	1
Missouri	1,625,000	2
Nebraska	1,633,000	2
New Hampshire	3,208,560	2
New Mexico	56,180	1
New York	4,600,000	1
Ohio	500,000	1
Oregon	300,000	1
South Carolina	80,900	1
South Dakota	31,000	2
Texas	384,500	2
Vermont	63,000	1
West Virginia	375,000	1
Wisconsin	810,000	1
Total	25,000,000	31

GUARANTEED COMMUNITY FACILITY LOANS—FISCAL YEAR 1993

[As of April 21, 1993]

	Amount	Number of loans
Alaska	$2,000,000	1
Florida	630,000	1
Illinois	2,000,000	1
Iowa	1,013,000	2
Kansas	79,500	1
Massachusetts	640,000	1
Missouri	1,000,000	1
Montana	735,000	2

GUARANTEED COMMUNITY FACILITY LOANS—FISCAL YEAR 1993—Continued

[As of April 21, 1993]

	Amount	Number of loans
New Mexico	88,400	1
New York	3,100,000	1
North Carolina	10,000,000	1
Ohio	1,090,000	2
Oklahoma	125,000	2
South Carolina	370,800	1
South Dakota	209,500	3
Vermont	357,500	1
Wyoming	600,000	1
Total	24,038,700	23

Mr. DURBIN. How many applications for direct and guaranteed loans are currently pending?

Mr. BENNETT. As of April 21, 1993, there are 249 applications and preapplications for Direct Community Facility loans totaling $189,095,486 and 39 applications and preapplications for the Guaranteed Community Facility loan, totaling $43,831,683.

WATER AND WASTE DISPOSAL GRANTS

Mr. DURBIN. Please provide for the record a ten-year table showing the number and dollar mount of water and sewer grants.

Mr. BENNETT. I will be glad to.

[The information follows:]

WATER AND WASTE DISPOSAL GRANTS FY 1984 THROUGH FY 1993

[Dollars in thousands]

Fiscal year	Number of grants	Amount
1984	276	$103,742
1985	366	128,988
1986	343	119,318
1987	319	117,663
1988	328	119,359
1989	344	122,699
1990	467	212,036
1991	612	307,788
1992	628	354,306
1992 Supplemental	0	[1] 0
1993	380	[1] 223,576

[1] As of March 31, 1993.

Mr. DURBIN. Please provide for the record a ten-year table showing the request versus the appropriation for water and sewer grants.

Mr. BENNETT. I will be glad to provide that information.

[The information follows:]

WATER AND WASTE DISPOSAL GRANTS FY 1983 THROUGH FY 1993

[Dollars in thousands]

Fiscal year	Requested	Appropriated
1984	90,000	90,000
1985	90,000	115,000
1986	25,000	109,395
1987	0	109,395
1988	0	109,395
1989	75,000	109,395
1990	75,000	207,700
1991	100,000	300,000
1992	225,000	350,000
1992 Supplemental		25,600
1993	300,000	390,000

Mr. DURBIN. How many applications do you presently have on hand, both in terms of numbers of applications and dollar amounts?

Mr. BENNETT. As of April 15, 1993, there were 729 preapplications and applications totaling $607.6 million.

Mr. DURBIN. Would you please provide for the record a table listing these applications, by State?

Mr. BENNETT. I will be happy to provide that information for the record.

[The information follows:]

WATER AND WASTE DISPOSAL GRANT APPLICATIONS AS OF APRIL 15, 1993

State	Number	Amount
Alabama	17	$17,800,717
Alaska	5	1,985,000
Arizona	9	9,574,877
Arkansas	56	44,857,051
California	15	12,457,909
Colorado	17	10,701,458
Connecticut	0	0
Delaware	1	951,500
Florida	13	11,555,000
Georgia	7	7,100,600
Hawaii	0	0
Idaho	9	8,212,750
Illinois	32	18,722,578
Indiana	12	24,951,500
Iowa	21	11,929,291
Kansas	18	9,896,012
Kentucky	49	21,667,900
Louisiana	30	16,217,775
Maine	6	5,387,900
Maryland	0	0
Massachusetts	2	421,900
Michigan	18	38,201,883
Minnesota	7	4,500,000
Mississippi	25	11,036,992
Missouri	14	8,471,600
Montana	1	250,700
Nebraska	6	1,709,940
Nevada	3	3,329,500
New Hampshire	4	4,064,000
New Jersey	1	1,000,000

WATER AND WASTE DISPOSAL GRANT APPLICATIONS AS OF APRIL 15, 1993—Continued

State	Number	Amount
New Mexico	14	7,444,897
New York	32	28,173,475
North Carolina	12	14,827,690
North Dakota	8	4,525,000
Ohio	28	22,883,069
Oklahoma	47	25,529,447
Oregon	10	12,887,900
Pennsylvania	26	27,017,751
Puerto Rico	2	1,786,500
Rhode Island	0	0
South Carolina	0	0
South Dakota	7	11,022,000
Tennessee	21	8,846,500
Texas	35	44,724,011
Utah	8	4,262,358
Vermont	3	674,492
Virginia	12	25,282,000
Washington	10	8,229,100
West Virginia	24	16,590,759
Western Pacific	0	0
Wisconsin	29	31,047,395
Wyoming	3	4,911,600
Total	729	607,622,277

TECHNICAL ASSISTANCE GRANTS

Mr. Durbin. Please list the technical assistance grants that were made during fiscal year 1992 and so far in fiscal year 1993.

Mr. Bennett. We have not approved any Grants so far in fiscal year 1993. The list for fiscal year 1992 will be provided for the record.

[The information follows:]

Technical Assistance and Training Grants, Fiscal Year 1992

Grantee	*Amount*
National Rural Water Association	$3,000,000
Oklahoma Rural Water Association	317,000
Rural Community Assistance Program	1,500,000
West Virginia University Research Corporation	550,000
Total	5,367,000

Mr. Durbin. What applications are pending or approved for fiscal year 1993?

Mr. Bennett. In fiscal year 1993 to date, we have invited a total of five applications in the amount of $6,975,730. We anticipate that one more application for $35,000 will be invited this year. As soon as complete applications have been received from the grantees, we will be processing the paperwork for approval.

RURAL DEVELOPMENT GRANTS

Mr. Durbin. Please provide a ten-year table for the record showing the number and dollar amount of rural development grants. Also show the budget request versus the appropriation.

Mr. Bennett. I will be glad to provide that information.

[The information follows:]

RURAL DEVELOPMENT GRANTS, FY 1984 THROUGH FY 1993

[Dollars in thousands]

Fiscal year	Requested	Appropriated	Obligations	Number of Grants
1984	0	0	0	0
1985	0	0	0	0
1986	0	0	0	0
1987	0	$3,000	$3,000	1
1988	0	6,500	6,500	27
1989	0	6,500	6,500	36
1990	0	16,406	16,406	129
1991	0	20,750	20,750	155
1992	$20,000	20,750	20,750	142
1993	20,750	20,750	[1] 2,815	[1] 30

[1] Thru 3/31/93.

Mr. DURBIN. Please list for the record each of the rural development grants that were made during fiscal year 1992.

Mr. BENNETT. I would be happy to provide that information for the record.

[The information follows:]

Rural Business Enterprise Grants
Fiscal Year 1992 Obligations by Projects

State	Grantee	Amount
AK	Dinyee Corporation	$ 77,000
AL	Town of Autaugaville	130,000
AR	City of Cotton Plant	500,000
	Delta Comm. Development	200,000
AZ	-	
CA	California Statewide Dev.	46,400
	Fortuna Redevelopment Agency	209,900
	Arcata Econ. Dev. Corp.	26,200
	California Statewide Dev.	103,500
	County of Merced	30,000
CO	Cumbres & Toltec Railroad	108,000
	Twin Lakes Improv. Assn.	45,000
	San Luis Valley Health Ctr.	95,400
CT	Town of Pomfret	119,000
DE	-	
FL	Apalachee Reg. Plan. Counc.	400,000
GA	Turner Co. Dev. Auth	40,000
	Taylor County	25,000
	Middle Flint Area Dev. Corp.	25,000
	Dev. Auth. of Crawford Co.	25,000
	Jasper Co. Econ. Dev. Auth.	50,000
	City of Camilla	75,000
	City of Riceboro	70,000
	Dodge County	70,000
	Dawson County	70,000
	Lumpkin County	50,000
HI	Self Help of People, Inc.	250,000
ID	IDA-ORE Plan. & Dev. Assn.	100,000
	E.C.I.P.D.A.	93,000
IL	City of Harrisburg	100,000
	City of Albion	77,000
	Southeastern Illinois Reg.	70,500
	Southeastern Illinois Reg.	49,400
	Prairie Hills Resource Conserv	46,000
	City of DuQuoin	102,500
IN	Nation of Miami	274,000
	New Castle/Henry County	100,000
IA	City of Gladbrook	59,480
KS	City of Russell	400,000
KY	KY Highlands Invest. Corp.	467,000
	University of Kentucky	1,150,000
LA	Parish of St. Helena	64,200
	Dixie Electric Mbrshp. Coop.	100,000
	City of DeQuincy	137,000
	Eunice Chamber of Commerce	110,000
ME	Eastern Maine Dev. District	50,000
	Eastern Maine Dev. District	77,000
	Town of Bethel	100,000
MD	Town of Federalsburg	100,000
	Chesapeake Country Econ.	15,000
	Town of Berlin	80,000
	Comm. Trans. of America	500,000
MA	Town of Wareham	177,000

MI	City of Escanaba	$ 200,000
	Benton Charter Township	100,000
	Indianfields Township	114,000
	City of Reading	130,000
MN	Red Lake Falls Dev. Corp.	100,000
	Bois Forte Reservation	50,000
	City of Jackson	102,000
	Mt. Lake Econ. Dev. Auth	100,000
MS	Lift, Inc.	16,200
	City of Okolona	204,500
	Yellow Creek Port Authority	204,500
MO	City of Moberly	181,000
	Rural Missouri, Inc.	80,000
	City of Nevada	70,000
MT	City of Wolfe Point	235,570
NE	Southeast NE Dev. Dist.	114,000
NV	City of Yerington	21,000
NH	Town of Whitefield	24,400
	Keene Industrial	35,000
	North Country	16,000
NJ	Cedarville Coop. Marketing	205,600
NM	NM Comm. Dev. Loan Fund	91,000
NY	Montgomery County	150,000
	Jefferson County IDA	17,500
	St. Lawrence County IDA	100,000
	Rural Opportunities	200,000
	Tompkins CCC	40,900
	Allegany County Ind.	120,000
	Yates County	27,100
	Chenango County	62,500
NC	Johnston County	100,000
	Town of Davidson	70,000
	Hoke County	71,000
	City of Claremont	120,000
	Town of North Wilkesboro	50,000
	Sampson County	178,000
	Town of Marshall	110,000
ND	ND Ag. Products Util. Comm.	250,000
	Prairie Public Broadcasting	500,000
	Prairie Public Broadcasting	500,000
	City of Casselton	250,000
	Roosevelt-Custer Regional Dev.	185,500
OH	Twin City Water & Sewer Dist	150,000
	Village of Ansonia	85,000
	City of Norwalk	150,000
	Village of Put-in-Bay	180,000
OK	Madill Ind. Foundation	216,000
	Central OK Business & Job Dev.	50,800
OR	Columbia County	171,000
PA	Northern Tier Regional Plannin	500,000
	Northern Tier Regional Plannin	500,000
	Moshannon Valley	100,000
RI	Town of Richmond	24,000
SC	Town of Pelion	78,000
	City of Manning	80,000
	Trico Water Company	50,000
	City of Seneca	65,000
	Hampton County	70,000
SD	City of Tyndall	49,400
	City of Veblen	50,000
	City of Tyndall	6,000
TN	Town of Caryville	251,000
	City of McLemoresville	100,000
	City of Etowah	100,000
TX	Brenham Industrial Foundation	50,000
	Texas Department of Agricultur	400,000

	Burleson Co. Ind. Foundation	$ 218,000
UT	Six County Econ. Dev. Dist.	45,000
VT	Vermont ETV, Inc.	1,000,000
	Vermont State Colleges	400,000
VA	Town of Wytheville	11,000
	MCB Dev. Corporation	30,000
	Carroll County	350,000
WA	Port Townsend School Dist.	400,000
	Port of Ephrata	400,000
WV	Randolph Co. ID Auth.	46,250
	City of Spencer	7,000
	Regional Contract	35,000
	City of Ravenswood	110,000
	Women and Employment, Inc.	45,000
	Cabin Creek Quilts Coop. Assn.	34,800
	City of Spencer	10,000
WI	Village of Stratford	75,000
	Village of Palmyra	76,000
	City of Greenwood	76,000
	Village of Fall River	76,000
WY	Interstate Industrian	154,000
PR	Munci. of Las Piedras	400,000
	Escuela Alfarera El Cemi	290,000
	Org. Agri. Bo. Espino, Inc.	28,000
VI	VI Industrial Park	20,000
WPT	-	
	Total	$20,750,000

WATER AND WASTE GRANTS

Mr. DURBIN. You propose to eliminate the language that allows for planning grants under the rural water and waste disposal grant program. You have indicated that this program has not been administered for several years. Have you had any requests for this type of grants?

Mr. BENNETT. There have been no requests received for assistance in funding planning grants in many years. This program was last used in the late 1960's.

COLONIAS

Mr. DURBIN. Last year, $25,000,000 was provided for Colonias to assist with rural water and waste disposal problems along the Texas, New Mexico, Arizona borders. Describe for us how the funds have been used so far during fiscal year 1993.

Mr. BENNETT. RDA and FmHA are working together to deliver the $25 million in grant funds earmarked for the Colonias. RDA funds are being utilized by water and sewer systems to provide services to residents of Colonias including installation of indoor plumbing. FmHA is providing grants directly to individuals to connect to a water or sewer system and to install needed indoor plumbing. To date, RDA has approved a $1,540,000 grant for the El Paso County Lower Valley Water District Authority to construct a waste disposal collection system for a Colonia. In addition to the El Paso project, Texas has two other RDA sewer projects that are being processed for approval with combined cost of $12,516,000. Texas also has on hand $5,053,000 in RDA requests from three other water and sewer systems. New Mexico also has received ten requests from water and sewer systems for $9,509,577 in RDA assistance to serve Colonias areas. FmHA in Texas has made 34 grants for a total of $95,840, primarily for waste disposal hook-ups and bathroom additions.

TRANSPORTATION SYSTEM TECHNICAL ASSISTANCE

Mr. DURBIN How many requests have you had in fiscal years 1992 and 1993 for the transportation system technical assistance program?

Mr. BENNETT. As of April 21, 1993, no requests have been received. We received one request in fiscal year 1992 in the amount of $500,000, which was funded.

Mr. DURBIN Please provide a list of any grants made under this program.

Mr. BENNETT. I would be glad to provide that information.

[The information follows:]

RURAL BUSINESS ENTERPRISE GRANTS BY PROJECT

Fiscal year	Grantee	Amount
1993 as of 4/21/93	None	None
1992	Community Transportation Assn. of America (CTTA)	500,000
1991	CTAA	500,000
1990	CTAA	500,000

RURAL BUSINESS ENTERPRISE GRANTS BY PROJECT—Continued

Fiscal year	Grantee	Amount
1989	Rural America (also known as CTAA)	500,000

NON-PROFIT PUBLIC TELEVISION GRANTS

Mr. DURBIN. For fiscal years 1992 and 1993, please provide a list of grants that were made for statewide non-profit public television stations.

Mr. BENNETT. I would be glad to provide that information.

[The information follows:]

STATEWIDE NONPROFIT PUBLIC TELEVISION STATIONS BY PROJECT

Fiscal year	State	Grantee	Amount
1993		None	None
1992	North Dakota	Prairie Public Broadcasting, Inc	500,000
	North Dakota	Prairie Public Broadcasting, Inc	500,000
	Vermont	Vermont ETV, Inc	1,000,000

INTERMEDIARY RELENDING PROGRAM

Mr. DURBIN. We see in your statement, Mr. Bennett, that increase for the intermediary relending program will be devoted to small businesses including micro-enterprises. Can you describe for us what a micro-enterprise is and how you intend to target them?

Mr. BENNETT. The regulations for the Intermediary Relending Program limit the size of loan the intermediary can make to one ultimate recipient to $150,000. That results inmost loans being made to small businesses. Many intermediaries establish their own more restrictive limits and targeting procedures. Micro-enterprise refers to very small businesses.

Mr. DURBIN. How will you do outreach to micro-enterprises to assure that funds are used appropriately?

Mr. BENNETT. Outreach to potential ultimate recipients is primarily handled by the intermediaries. Before approving a loan, we review the application work plan which describes potential ultimate recipients and plans for delivering the revolving loan program.

RURAL DEVELOPMENT LOAN FUND

Mr. DURBIN. Please list each of the loans made during fiscal year 1992 for the rural development loan fund.

Mr. BENNETT. I will be glad to provide that information for the record.

[The information follows:]

Intermediary Relending Program
Loans Obligated - FY 1992

NAME	LOCATION	AMOUNT
First District Development Company	Watertown, SD	$ 1,000,000
Housing Assistance Council, Inc.	Washington, DC	2,000,000
Northeastern Minnesota Initiative Fund	Duluth, MN	750,000
Purchase Area Development District	Mayfield, KY	750,000
Southeast Local Development Corporation	Chattanooga, TN	2,000,000
Upper Explorerland Regional Planning Commission	Postville, IA	1,000,000
Advancement, Inc.	Lumberton, NC	647,860
Development Corp. of Austin	Austin, MN	250,000
Dunn Area Committee of 100, Inc.	Dunn, NC	850,000
Franklin County Community Development Corporation	Greenfield, MA	1,000,000
IDA-ORE Planning and Development Association	Boise, ID	500,000
Lake City Development Corporation, Inc.	Lake City, SC	850,000
Middle Flint Regional Development Center	Ellaville, GA	1,000,000
Neuse River Development Auth.	New Bern, NC	1,702,140
New Mexico Community Development Loan Fund	Albuquerque, NM	200,000
Northern Tier Regional Planning & Development Comm.	Towanda, PA	500,000
South Central Kansas Economic Development District, Inc.	Wichita, KS	1,250,000
Coastal Enterprises, Inc.	Wiscasset, ME	440,000
Development Corp. of Middle Georgia	Macon, GA	1,000,000
Finance Authority of Maine	Bangor, ME	1,500,000
Garrett County Development Corporation	Oakland, MD	540,000
Rural Nevada Development Corp.	Ely, NV	1,000,000
Southwest Tennessee Development District	Jackson, TN	1,845,000
Valley Rural Dev. Corp. d/b/a Valley Small Bus. Dev. Corp.	Fresno, CA	1,500,000
West Central Minnesota Initiative Fund	Fergus Falls, MN	300,000
Catawba Regional Development Corporation	York County, SC	725,000
City of Flora	Flora, IL	750,000

NAME	LOCATION	AMOUNT
Crown Development Corporation	Hanford, CA	900,000
Economic Development Council of Northeastern Pennsylvania	Pittston, PA	1,000,000
Evergreen Community Development Association (ECDA)	Seattle, WA	1,500,000
Illinois Development Finance Authority	Chicago, IL	500,000
Lower Savannah Regional Development Corporation	Aiken, SC	1,000,000
Regional Economic Development and Energy Corporation (REDEC)	Painted Post, NY	500,000
Rural Enterprises, Inc.	Durant, OK	500,000
South Central IL Regional Planning & Development Comm.	Salem, IL	750,000
	TOTAL	$32,500,000

Mr. DURBIN. You have a significant increase of almost $140,000,000 in the intermediary relending loan program for fiscal year 1994. Approximately how many loans would you anticipate making with that?

Mr. BENNETT. We would expect a $140 million increase in loan funds to result in an increase of approximately 150 loans to intermediaries.

RDA STAFF

Mr. DURBIN. How many staff does RDA currently have on board? What is the authorized staff level for all of RDA?

Mr. BENNETT. RDA currently has 243 employees on board. The authorized FTE for RDA is 402 in fiscal year 1993.

Mr. DURBIN. Since there is a freeze on hiring for RDA, you have over 150 vacancies. What do you currently anticipate having in terms of unused S&E funds if none of those vacancies are filled between now and the end of the fiscal year?

Mr. BENNETT. In the event that none of our vacancies are filled between now and the end of the fiscal year, we anticipate $8 million of unused Salaries & Expenses funds.

RURAL DEVELOPMENT COUNCILS

Mr. DURBIN. How many states currently have rural development councils?

Mr. BENNETT. Forty-seven states expressed a desire to form state rural development councils (SRDCs). The Secretary of Agriculture has signed memoranda of understanding with the governors of 36 states. These memoranda represent a commitment on the part of both the Federal and state governments to establish an intergovernmental partnership for rural development. In 27 of these states, councils have been formed and are now functioning. In another 9 states, councils are currently in the process of forming. Another 11 governors are waiting to sign a memorandum of understanding to establish a partnership for rural development. Councils are planned to be formed in these states in fiscal year 1994.

Mr. DURBIN. What is the total amount of USDA funding provided to rural development councils?

Mr. BENNETT. In fiscal year 1993, USDA has contributed $4 million to the National Initiative on Rural America, of which the councils are the most prominent part. Of that amount, approximately 71 percent is devoted to direct support for the councils. The remainder of the funds provide indirect support, such as training.

Mr. DURBIN. We understand that the administration for rural development council cooperative agreements is done through ERS. Are funds provided for rural development councils transferred from RDA to ERS?

Mr. BENNETT. Of the 27 funded state councils, 23 are funded through a state government agency as partner. In these cases, ERS provides the funding to the partner, on behalf of the Federal government, through a cooperative agreement. In the remaining states, funding is provided through a participating Federal agency. In these cases, the support funding is transferred directly from RDA to that agency.

Mr. DURBIN. It is our understanding that 75% of the rural development council funds come from Federal sources. In addition to USDA funds, what other Federal agencies provide funds for rural development councils?

Mr. BENNETT. A maximum of 75 percent of council support is provided by the Federal government. The non-Federal partners such as states, local governments, the private sector, and tribal governments, contribute a minimum of 25 percent. Many councils can and do provide larger amounts of support as evidence of their commitment to the partnership. In fact, the average non-Federal contribution to these councils is 28 percent. In addition to USDA, the Departments of Health and Human Services, Housing and Urban Development, Transportation and Veterans Affairs have contributed funds to the initiative in the last two fiscal years.

Mr. DURBIN. Is the state's 25% cash or is it in-kind work, such as providing office space?

Mr. BENNETT. The non-Federal partners support the work of the councils in various ways. In many instances, it is in the form of in-kind support, such as office space, equipment, and supplies. In a number of states, non-Federal partners, in addition make cash contributions for such items as staff support and travel expenses for the executive director and council members. The non-Federal partners are required to provide secretarial and administrative support for the councils. In addition to these contributions, the individual Federal, state, local government, private sector, and tribal governments that participate in the councils' work make individual expenditures for travel and unreimbursed time that are not counted as a part of the councils' budgets.

Mr. DURBIN. For the record, please provide the specific authorization for the establishment of rural development councils.

Mr. BENNETT. The councils were formed under provisions of the Rural Development Act of 1972, Public Law 92–419, section 601, as amended by the Rural Policy Act of 1980, Public Law 96–355, section 607, which provided that the Secretary of Agriculture "shall provide leadership within the executive branch for . . . a nationwide rural development program using the services of executive branch departments and agencies . . . in coordination with rural development programs of State and local governments."

APPALACHIAN REGIONAL DEVELOPMENT COMMISSION

Mr. DURBIN. We are aware that funds are transferred from the Appalachian Regional Development Commission to the RDA. Describe for us how those funds are used.

Mr. BENNETT. The Appalachian Regional Commission—ARC—approves grant assistance under the general provisions and procedures of Sections 214, 223, and 303 of the Appalachian Regional Development Act. Funds are transferred to RDA which awards, administers, monitors and reports upon grants authorized in Sections 306(a) of the Consolidated Farm and Rural Development Act (7 USC 1926) and Section 310B (7 USC 1932).

Section 306(a) authorizes grants to help fund the costs of water and waste facility projects. ARC funds administered under this Section may be used for the same purposes as Water and Waste Dis-

posal Development grants authorized in FmHA Instruction 1942-H. Funds may be used to construct, enlarge, improve or otherwise modify rural water or sewer systems and related costs connected with development of the facilities, including necessary fees such as legal and engineering.

Section 310B authorizes grants to facilitate the development of small and emerging businesses in rural areas. ARC funds administered under this Section may be used for the same purposes as Rural Business Enterprise Grants authorized in FmHA Instruction 1942-G. Funds are used to pay the costs of acquisitions and development of land, access streets and roads, parking areas, utilities, service extensions, etc.

ARC selects projects to fund and awards grants within the 13-State Appalachian Region. The actual application processing, construction monitoring, and servicing of the grant is done by RDA according to RDA grant procedures. ARC pays administration fees to RDA when RDA has no funds in the project.

Mr. DURBIN. Have any grants or loans been made from that program during fiscal years 1992 or 1993?

Mr. BENNETT. During fiscal year 1992, 68 ARC grants totaling $15,759,251 were obligated by RDA. As of April 21, 1993, RDA has obligated 13 ARC grants totaling $2,116,500 for fiscal year 1993.

Mr. DURBIN. We note that in fiscal year 1992, over $15,000,000 in Appalachian regional development program grants were administered through the RDA and that only $5,000,000 is projected for fiscal years 1993 and 1994. Why such a significant difference from 1992?

Mr. BENNETT. At this time, $5,000,000 is the amount of money that has been transferred from ARC to RDA. It is anticipated that additional funds will be transferred during fiscal years 1993 and throughout 1994.

EMERGENCY COMMUNITY WATER ASSISTANCE GRANTS

Mr. DURBIN. For the record, please provide a table showing the numbers of loans and dollar amounts made in the past five fiscal years for emergency community water assistance grants.

Mr. BENNETT. I will be glad to.

[The information follows]

EMERGENCY COMMUNITY WATER ASSISTANCE GRANTS FISCAL YEARS 1989 THROUGH 1993

[Dollars in Thousands]

Fiscal year	Number of grants	Amount
1989	0	0
1990	0	0
1991	46	$10,000
1992	45	10,000
1992 supplemental	2	575
1993 thru 3/31	13	2,765

Mr. DURBIN. For the record, please provide a list, by State, of each of the emergency community water assistance grants made during fiscal year 1992 and so far in 1993.

Mr. BENNETT. I would be glad to provide that information for the record.

[The information follows:]

EMERGENCY COMMUNITY WATER ASSISTANCE GRANTS

[Total funds obligated by State, fiscal year 1992]

State	Project name	Amount
AK	City of Noorvik	$200,000
AZ	Chloride Water Co	468,000
AZ	Why Utility Company	330,000
CA	Doney ST Neighborhd	150,000
FL	City of Fanning Sprs	454,355
FL	Town of Carryville	431,000
GA	City of Attaplgus	72,845
IA	Sirwa SE Adams Co	500,000
ID	King Hill Water User	70,000
IL	V'age of Carrier MLS	500,000
IL	Village of Tennessee	301,000
KS	RWD #1 Rice County	500,000
KS	RWD #1, Lyons County	315,000
LA	Village of Goldonna	18,000
LA	Town of Homer	75,000
MD	City of Pocomake City	75,000
MN	City of Cromwell	265,000
MO	City of Jamesport	313,500
MO	City of King City	385,000
MO	PWSD #1, Macon Co	357,000
MO	PWSD #1 Sullivan Co	450,000
MO	PWSD #2 Harrison Co	500,000
MO	PWSD #2, Daviess Co	169,000
NH	North Lodge Well	117,250
NY	Village of Cattaraug	300,000
NY	Village of Marathan	250,000
NY	Village of Wellsburg	36,500
NY	Village of Morristown	75,000
OH	Village of Dillonval	293,000
PA	Defiance Water Assn	48,950
PA	Dudley-Barnettstown	53,700
SD	Town of Belviders	311,600
SD	Town of Delmont	40,000
TX	City of Lorenzo	308,300
TX	Jean WSC	400,000
TX	Multi Count WSC	15,500
UT	Kingston Town	130,000
UT	Rockville Pipeline	196,500
VA	Town of Port Royal	75,000
WA	Kalispel Tribe of In	86,000
WA	Whitman Co Board	75,000
WI	Village of Boyd	288,000
Total		10,000,000

EMERGENCY COMMUNITY WATER ASSISTANCE GRANTS

[Total funding allocated by State, as of April 19, 1993]

State	Project name	Amount
AK	City of Hoonah	20,000
AK	City of Seldovia	75,000
AK	City of Shungnck	75,000
AK	Village of Tyone	10,000
AL	Town of Berry	75,000

EMERGENCY COMMUNITY WATER ASSISTANCE GRANTS—Continued

[Total funding allocated by State, as of April 19, 1993]

State	Project name	Amount
CA	Green Valley WD	455,000
CO	Florissant W&S Dist	58,300
GA	City of Abbeyville	170,150
GA	City of Warrenton	75,000
IA	Sirwa Creston	500,000
ID	City of Challis	24,400
ID	City of Hollister	74,500
IL	Saline Valley Number 6	500,000
IL	Village of Vermilion	46,000
IN	Dupont Water Company	500,000
KS	City of Cedar Point	75,000
KS	RWD Number 13 Mont'ery Co	500,000
KS	RWD Number 2 Brown County	500,000
KY	Wallins Creek	75,000
LA	Kolin Ruby Wise WD	75,000
ME	Town of Pittsfield	500,000
MN	City of Cromwell	36,000
MO	PWSD Number 2 Daviess Co	495,400
MO	PWSD No 1 Clark Co	500,000
NE	City of Hay Springs	170,600
NM	City of Texico	150,000
NM	Farley MDWCA	75,000
NM	Manzano MDWCA	75,000
NM	Upper Canoncito MWA	35,000
NY	Forestport WD	111,000
NY	Town/Forestport WD	119,000
OR	Ochoo West WD	258,000
PA	Beavertown	150,000
PA	Millheim Borough	275,200
PA	Three Springs	98,450
TX	Harleton WSC	400,000
UT	Boulder Farmstead WC	138,500
WA	Kittitas Co WD Number 3	65,300
WI	Medical Services	131,000
Total		7,666,800

ALCOHOL FUELS CREDIT GUARANTEED PROGRAM

Mr. DURBIN. Have any guarantees been made under the alcohol fuels credit program during fiscal year 1993?

Mr. BENNETT. RDA has received no inquiries regarding the program as of yet.

SOLID WASTE MANAGEMENT GRANTS

Mr. DURBIN. Please provide us with a listing of all the solid waste management grants, by State and dollar amount, for each grant that was made during fiscal year 1992 and so far in 1993.

Mr. BENNETT. So far in fiscal year 1993, we have invited 28 applications for a total of $2,315,250. We expect to invite 2 more applications in the near future which will utilize the entire $3 million appropriation. The information for fiscal year 1992 will be provided for the record.

[The information follows:]

SOLID WASTE MANAGEMENT GRANTS OBLIGATION BY STATE

[Fiscal year 1992

State	Number	Amount
Arkansas	2	$200,560
Colorado	1	200,000
Georgia	3	328,270
Idaho	2	250,550
Kentucky	1	18,750
Maine	2	503,060
Massachusetts	2	257,690
Michigan	2	80,000
Mississippi	1	75,000
Missouri	2	118,240
New Hampshire	1	87,880
New Mexico	1	72,000
North Dakota	1	330,000
Oklahoma	1	75,000
South Carolina	1	20,000
Vermont	1	40,000
Virginia	1	300,000
Wisconsin	1	43,000
Total	26	3,000,000

FLOOD PREVENTION, WATERSHED, AND RESOURCE CONSERVATION AND DEVELOPMENT LOANS

Mr. DURBIN. Have any flood prevention loans, watershed loans, or resource conservation and development loans been made during fiscal year 1992 or 1993?

Mr. BENNETT. During fiscal year 1992, $454,000 was obligated for one watershed loan and $48,000 was obligated for one flood prevention loan; no funds were obligated for resource conservation and development loans. For fiscal year 1993, there have been no obligations for these programs as of April 21, 1993.

Mr. DURBIN. What is the outstanding balance of loans previously made for these programs?

Mr. BENNETT. As of March 31, 1993, the outstanding balance of loans previously made for these programs is $61,109,000.

RURAL DEVELOPMENT COUNCILS

Mr. DURBIN. We note that reimbursements to support the Initiative on Rural Development increased from $1,453,000 in fiscal year 1992 to $4,000,000 in fiscal year 1993, and a little over that for fiscal year 1994. Exactly where do these reimbursements come from and why is the number increased significantly from 1992 to 1993?

Mr. BENNETT. In fiscal year 1992 Departments of Health and Human Services, Veterans Affairs, Transportation and Housing and Urban Development together contributed $1,453,000 to the Rural Initiative. To date, in FY 1993 Health and Human Services, Veterans Affairs and Transportation have contributed $1,250,000 of the $4,000,000 reimbursement. There is a significant increase in FY 1993 funding over fiscal year 1992 due to the expansion of the Initiative, both at the national level, through greater participation of

Federal agencies and departments, and at the state and local level, where the number of State Rural Development Councils has grown from 8 to 36.

Initiative funds for FY 1994, in addition to the four departments mentioned above, will include contributions from the Departments of Commerce, Education, Interior, Labor, and Treasury, the Environmental Protection Agency and the Small Business Administration.

OBJECT CLASS 25

Mr. DURBIN. Please provide a breakout of object class 25, "Other Services" for fiscal years 1992, 1993, and 1994.

Mr. BENNETT. I will be glad to provide that information.

[The information follows:]

OTHER SERVICES BREAKOUT

	Fiscal year—		
	1992 actual	1993 estimate	1994 estimate
25.1 Contractual Services Performed by	$0	$244	$245
Other Federal Agencies	89	358	360
25.2 Related Expenditures			
25.3 Repair, Alteration or Maintenance of	12	763	770
Equipment, Furniture, or Structures	2,522	2,450	2,540
25.4 Contractual Services—Other	3,414	3,930	4,041
25.5 Agreements	0	3,930	290
25.6 ADP Services and Supplies	21	281	325
25.7 Miscellaneous Services	0	323	12
25.8 Fees	21	11	325
25.9 Distributed Overhead	0	0	0
Total	6,058	8,400	8,583

RURAL DEVELOPMENT STRATEGY STAFF

Mr. DURBIN. It is our understanding that you have 42 people assigned to the Rural Development Administration Strategy Staff. Describe for the Committee exactly what the strategy staff is supposed to do and explain how it works in the regional offices and coordinates with the rural development councils.

Mr. BENNETT. Strategy staff exist at three levels of RDA's organization. In the National Office there are 18 employees on the strategy staff. Of these, 3 have responsibilities that are wholly or partially devoted to information resource management functions. In each Regional Office, there is a strategy position. In addition, at the state level we have assigned 17 state rural develop coordinators to serve states or multi-state areas.

The strategy staff have the responsibility to support RDA's role in providing national leadership for rural development. They do so in a number of ways. They are charged with developing joint rural development activities and strategies with other Federal agencies, including those within the Department of Agriculture. They contribute to the National Initiative on Rural America, serving on the state rural development councils and the Monday Management Group that coordinates rural development activities within the

Federal government. They work with state, regional, local and private organizations to identify operating development strategies and then work to link RDA's program investments to the highest priority activities. They provide information to Federal, state, and local officials regarding development options and the most effective rural development to achieve them. And they work with officials in state and local government, including members of low income and minority communities, concerning the ways RDA's financial programs can best help promote development. In short, RDA is using its strategy staff as a force for internal change as it begins to carry out the leadership role the Congress envisaged when it created the RDA.

Mr. DURBIN. Wouldn't the rural development councils, along with the coordinator in each state, accomplish the same thing that the RDA Strategy personnel do?

Mr. BENNETT. I assume when you refer to the coordinators that you are describing the executive directors assigned to each state rural development council. The state councils are a forum in which all the necessary partners in rural development with a state—Federal agencies, state agencies, local and regional government, the private sector, including nonprofit organizations, and tribal governments—can come together to resolve issues that cross agency, intergovernmental, and public-private boundaries. Many of these issues involve reducing government red tape, reducing potentially conflicting priorities, and developing joint operating procedures to simplify access to government services by the public. The executive directors assure the smooth operation of these councils on a day-to-day basis; they work for the council leadership, not the RDA.

In contrast, the RDA state rural development coordinators provide full-time support for rural America. They work with state, regional, local, and private organizations to establish and carry out high priority development actions, represent RDA on the state councils, provide information to rural officials about development options, and conduct outreach to minority and low income communities. Within RDA, state rural development coordinators enhance RDA's responsiveness to rural communities.

Mr. DURBIN. Mr. Skeen.

RURAL DEVELOPMENT

Mr. SKEEN. Thank you Mr. Chairman.

You stated in your testimony that RDA has in place the delivery system needed to respond to the underinvestment in rural public services and facilities. Would you provide for the Committee what are the problems rural communities are having in their ability to meet environmental standards?

Mr. BENNETT. The Clean Water Act and the Safe Drinking Act establish the national standards that water and wastewater systems must meet. The population density of rural communities compared to urban areas is normally less; therefore, there are fewer people to pay the costs of capital improvements and additional operating costs needed to comply with the Acts. Also, the income of many rural communities is relatively low which results in a higher percentage of rural residents income being required to pay the

costs needed to meet the standards. These factors result in many rural communities having a difficult time obtaining the financial assistance they need to meet the environmental standards. RDA's water and waste disposal low-interest rate loans and grants are a primary source of financial assistance available to many rural communities for meeting water and wastewater requirements.

ENVIRONMENTAL PROTECTION AGENCY

Mr. SKEEN. In your testimony you stated that the EPA estimated that it will cost $42.2 billion to bring rural wastewater treatment facilities into compliance with the Clean Water Act. Do you agree with the EPA assessment and does this include the increase in the number of contaminants that a water systems must now test for?

Mr. BENNETT. The estimated cost of $42.2 billion to bring rural wastewater treatment facilities into compliance with the Clean Water Act was extracted from the EPA's "1990 Needs Survey Report to Congress, Assessment of Needed Publicly Owned Wastewater Treatment Facilities in the United States." We have no reason to question these figures. The figures do not include the number of contaminants that a water system must test for because this is a requirement of the Safe Drinking Water Act and not the Clean Water Act.

Mr. SKEEN. This seems like a very expensive endeavor. Would you provide for the Committee how EPA calculated these needs?

Mr. BENNETT. The cost figures are for communities under 10,000 population and are comprised of three components. One is the needs associated with building new or existing sewage treatment facilities needed by the population in the year 2010. Another is the backlog of capital expenditures needed to bring the 1990 population up to the current standards of the Clean Water Act. Last is the supplemental States needs estimates of project costs that differ from traditional cost categories eligible under the Clean Water Act.

Mr. SKEEN. Is your agency working with the EPA in evaluating alternative ways to bring these costs down?

Mr. BENNETT. RDA works with EPA on matters relating to the Clean Water Act. Every effort is made to assist rural communities to obtain facilities that meet the requirements of the Clean Water Act and are modest in design, size, and cost.

Mr. SKEEN. Are the States and the private industry contributing to this tab?

Mr. BENNETT. There are State programs that provide financial assistance to communities to help them comply with the Clean Water Act. Private industry's contribution would mainly be through the payment of user fees, connection fees, assessments, etc.

Mr. SKEEN. Is your agency working with EPA to streamline compliance requirements?

Mr. BENNETT. RDA is a lending agency and as such has no compliance responsibility. EPA and the States have the overall compliance responsibilities. RDA provides technical assistance through its staff and funding of associations to assist wastewater systems in complying with the Clean Water Act. Agency regulations for administering the water and wastewater program require that facilities will not be inconsistent with any development plans of State

multijurisdictional areas, counties, or municipalities in which the proposed project is located.

COLONIAS

Mr. SKEEN. Would you expound for the Committee on your agency's commitment to assist the Colonias situation along the U.S.-Mexico border?

Mr. BENNETT. We are leading an interagency team that is preparing a report to Congress on strategies for coordinating Federal efforts in the Colonias areas. Also, we have made a major effort to direct our program funds to improve living conditions in the Colonias, along the U.S. Mexican border. The RDA provided $25 million for the Colonias in 1993 and has requested $25 million again in the 1994 budget.

Mr. SKEEN. Would you give this Committee an update on the amounts allocated to date and future needs for the Colonias along the U.S. Mexico border?

Mr. BENNETT. Of the $25 million to be used for Colonias, RDA set aside $20 million for RDA financed water and sewer systems and $5 million for the Farmers Home Administration to administer the grant program to individuals. The grants administered by FmHA to the individuals will provide funds to permit connection to a water and/or sewer system and for essential plumbing improvements. As of April 21, 1993, RDA has allocated $14,056,000 to the State of Texas. RDA does not have an estimate of future needs for the Colonias. However, RDA has on hand 13 requests from water and wastewater systems to provide service to residents of Colonias for $14,562,577. FmHA has 152 grant applications from individuals on hand for $420,000. For fiscal year 1994 the Administration again requested $25 million.

Mr. SKEEN. Do you think the severity of the problems associated with the Colonias is one of the most pressing needs anywhere in the country?

Mr. BENNETT. The needs of the Colonias for safe water and adequate waste disposal are considerable.

REGIONAL OFFICES

Mr. SKEEN. Would you provide a detailed summary of your agency's progress in establishing the field structure?

Mr. BENNETT. RDA has a structure that uses a National Office and seven Regional Offices in conjunction with FmHA's State and District Offices. That structure combines the delivery of our financial programs with strategic development assistance for communities. All seven Regional Offices are operational. Of the 241 positions authorized for Regional Offices, 170 are currently filled. As you know, fiscal year 1993 appropriations legislation did not provide funding for RDA offices below the Regional Office level and we were directed to continue obtaining program delivery services from FmHA State and District Offices in accordance with memoranda of understanding between the two agencies.

Mr. SKEEN. Since RDA will be using FmHA field staff, is this going to affect the FmHA responsibilities of servicing loans?

Mr. BENNETT. The FmHA field staff now delivering RDA's programs are, for the most part, the same staff who delivered these programs when they were the responsibility of FmHA. The FmHA District Office staff continues, as in the past, to have joint responsibility for both RDA and FmHA programs. Therefore, loan servicing responsibilities continue to be performed without significant change.

Mr. SKEEN. The FmHA field personnel are currently experiencing computational errors. Will the RDA's consolidation efforts contribute to this level of errors?

Mr. BENNETT. Rejections of data input to FmHA's accounting system are occurring because the system is being used for purposes that were not intended when it was designed. It has nothing to do with RDA's programs being a part of the FmHA field operations, or the establishment of RDA's organizational structure. The FmHA-RDA Automation Review Council recently approved an Automated Discrepancy Processing System (ADPS) Pre-manuscripting Project to simplify the data entry required by field staff and thereby reduce the amount of computational errors that are occurring. We expect this project to reduce computational errors for both FmHA and RDA.

ALCOHOL FUELS CREDIT GUARANTEE PROGRAM

Mr. SKEEN. Last year our committee agreed with the strong support and proposal included in the Business and Industry F.Y. 93 conference report by Senator Bumpers, to approve $30 million for the Alcohol Fuels Credit Guarantee Program. This promising program enjoys widespread and bipartisan congressional support and will reduce dependency on foreign imported fuels. Why did the administration zero fund for the program in your 1994 budget?

Mr. BENNETT. The Appropriation Act for 1993 provides $30 million for the program which remains available through 2009, unless otherwise expended. Since $30 million remains available and none has been obligated to date, there was no need to request additional funding.

Mr. DURBIN. Mr. Pastor

TRAINING

Mr. PASTOR. Thank you Mr. Chairman.

What steps is RDA taking to ensure the best trained personnel are in place to assist localities in the development of their rural development strategies? How much money is in the training budget? Who is conducting the training of RDA staff?

Mr. BENNETT. As a part of its new organizational structure, RDA has placed rural strategy staff in each of its 7 regional offices and presently has 17 rural development coordinators on board. These coordinators are being trained by strategy staff in the National and Regional Offices. For FY 1993, RDA's total training budget is $1,125,000, which includes strategy training.

Mr. PASTOR. How is RDA planning to ensure that the most culturally and regionally appropriate development strategies are pro-

moted by RDA staff? Will staff be prepared to assist in the development of "non-standard" development strategies for Native American areas and other regions heavily populated by Hispanics and other minorities?

Mr. BENNETT. One of the principal objectives in establishing the RDA was to recognize that a "one size fits all" approach does not fit rural America. RDA will work closely with state and local bodies to assure that RDA's program actions are closely integrated with state and local long-term development strategies. In those areas where special needs exist, such as in areas with large minority populations, we intend to be prepared to adopt innovative strategies that respond to the special needs of those communities. We will devote staff with expertise in effectively working with these communities.

Mr. PASTOR. What efforts has RDA made to recruit individuals with the language skills necessary to work with localities where English is not the dominant language spoken? This issue affects the entire Southwestern section of the U.S.

Mr. BENNETT. In the Southwest Region, we currently have 8 of 21 individuals assigned to the Regional Office who are fluent in Spanish. Of these, two are Hispanic. Of the individuals detailed to RDA from FmHA State Offices in the Southwest Region, 5 of 26 employees are fluent in Spanish. Of those detailed from FmHA District Offices, we have an additional 8 of 54 employees fluent in Spanish. Of the State and District employees fluent in Spanish, approximately 40 percent are Hispanic.

We intend to ensure that cultural diversity is fully considered so that the needs of all rural communities can be appropriately addressed.

THE RURAL BUSINESS ENTERPRISE GRANT PROJECT SELECTION PROCESS

Mr. PASTOR. What formula will RDA use to award Rural Development Grants? What criteria will RDA use in awarding these grants? Will population density be among the factors measured and incorporated into the formula used to establish funding priority for these grants? Rural areas that are more sparsely populated may be ranked lower than more heavily populated rural areas if one of the criteria used, for example, is the total number of jobs created through a given project. Would RDA be receptive to using grant award criteria that count jobs created as a percentage of the total population?

Mr. BENNETT. A project selection process is utilized in selecting Rural Business Enterprise Grant (RBEG) applications for further development. All applications are reviewed and scored for funding priority. Selection criteria utilized to establish a project's priority include the population and economic conditions of the community in which the project will be located. Although communities with populations not exceeding 50,000 are eligible, priority is given to communities of 25,000 or less. Priority is also given to projects located in areas where the unemployment rate exceeds the State unemployment level. Additionally, priority is given to projects capable of creating the most jobs per dollar of grant funds expended. The RBEG regulation gives priority to the number of jobs created

while at the same time considering the population and/or rural nature of the community in which the proposed project will be located.

Mr. DURBIN. I think that is it. Thank you very much for your testimony, and we will be looking it over, as well as the budget justifications as we receive them. We will be back in touch with you. Thank you for joining us.

Mr. BENNETT. Thank you, sir.

BIOGRAPHY OF

LOUIS GLENN BENNETT

GLENN BENNETT BEGAN HIS CAREER WITH FARMERS HOME ADMINISTRATION IN 1964, SERVING IN KENTUCKY AS AN ASSISTANT COUNTY SUPERVISOR AND LATER AS A COUNTY SUPERVISOR. IN 1972, HE TRANSFERRED TO THE NATIONAL OFFICE AS LOAN OFFICER IN THE WATER AND WASTE DISPOSAL LOAN DIVISION. HE WAS NAMED DIRECTOR OF THE DIVISION IN 1976, AND SERVED UNTIL 1985, WHEN HE BECAME DIRECTOR OF THE FARM REAL ESTATE AND PRODUCTION DIVISION. IN JULY 1986 HE WAS NAMED ASSISTANT ADMINISTRATOR FOR COMMUNITY AND BUSINESS PROGRAMS, AND IN MAY 1992 WAS ASSIGNED AS ASSISTANT ADMINISTRATOR OF FINANCIAL PROGRAMS FOR THE RURAL DEVELOPMENT ADMINISTRATION. IN MARCH 1993 HE WAS NAMED THE ACTING ADMINISTRATOR FOR THE RURAL DEVELOPMENT ADMINISTRATION.

A NATIVE OF KENTUCKY, MR. BENNETT IS A GRADUATE OF THE UNIVERSITY OF KENTUCKY WITH A DEGREE IN AGRICULTURE.

RURAL DEVELOPMENT ADMINISTRATION
STATEMENT OF
Louis G. Bennett, Acting Administrator
Before the
SUBCOMMITTEE ON AGRICULTURE, RURAL DEVELOPMENT,
FOOD and DRUG ADMINISTRATION, AND RELATED AGENCIES

Mr. Chairman, and members of the Committee, I am pleased to present the 1994 budget for the Rural Development Administration (RDA).

RDA's mission is to improve the quality of life in rural America by financing community facilities and businesses, providing technical assistance, and working with state and local governments to create more effective strategies for rural development. RDA, which began operations from the base of programs transferred to it from the Farmers Home Administration, will help meet this need by focusing its programs in several priority areas: helping state and local governments to build new industries to supplement rural America's traditional strengths; developing the capacity for high-value marketing to bring higher returns to rural producers and workers; and providing community facilities and services that are safe, affordable, and that provide a basis for future rural growth.

RDA's Programs are managed through seven Regional Offices located in rural America with implementation in the field conducted by FmHA staff located at the State and District Offices.

Program Status and History

The Rural Development Administration ended fiscal year 1992 with approximately 16,700 loans outstanding. The loan portfolio for direct and guaranteed loans totalled $5.8 billion. Historically, RDA has used virtually all the funds that have been appropriated to it.

As of September 30, 1992, 33,760 Water and Waste Disposal loans have been made since the inception of the program for $11.6 billion, including $5.3 million in guaranteed Water and Waste Disposal loans.

Since its inception, 6,587 Community Facilities loans have been obligated, totalling $2.9 billion, including $64 million for guaranteed Community Facility loans.

Since 1974, 7,702 Business and Industry loans have been made, totalling $6.4 billion.

Investment Budget

The budget request includes the President's Rural Development Initiative for long-term investment for rural development. The additional Water and Waste Disposal loan and grant funding will provide increased assistance to rural communities to meet compliance with such standards as the Federal Clean Water Act environmental standards. Many rural communities are unable to meet these standards without Federal assistance. The investment initiative will provide additional funding for direct and guaranteed Community Facility loans for construction of rural health care facilities, fire stations and equipment, and other vital facilities. Guaranteed Business and Industry loans and Rural Business Enterprise grants will assist rural businesses in securing start-up capital and financing for expansion, creating jobs and helping diversify the rural economy. Increases for the Intermediary Relending program will be devoted to small businesses, including "micro-enterprises."

The investment proposal will upgrade infrastructure, stimulate rural economic development, improve the quality of rural life, and increase employment opportunities in rural areas.

Fiscal 1994 Budget Request

Rural America continues to face many pressing challenges in providing needed rural public services and facilities and improving its economy. RDA is prepared to assist rural America in meeting these challenges.

RDA programs bring enhanced public services and expanded employment opportunities to rural citizens across America. Rural communities and businesses face the continuing need to upgrade their ability to meet changing environmental standards, provide effective public services, and meet the challenges of economic change. As a consequence, the demand for RDA's programs continues to be strong. The policy and investment budgets we are presenting reflect our commitment to respond effectively to those demands.

Water and Waste Disposal Programs

RDA Water and Waste Disposal programs help small, rural communities provide basic human amenities, alleviate health hazards, and promote the orderly growth of rural areas. RDA assists by providing both funding and technical assistance for water and waste disposal and for solid waste management. RDA loans and grants for rural water supply and wastewater disposal projects are a principal national source of funding for this purpose. As of March 12, 1993, RDA had on hand 1,279 loan preapplications and applications totalling $1.3 billion and 702 preapplications and applications totalling $589.1 million for grants. In addition, we had 56 applications on hand, totalling $7.3 million for solid waste management grants, and 19 applications totalling $4.0 million for emergency community water assistance grants.

RDA's programs help small, low income rural communities meet Federal and state mandated service standards, including the Safe Drinking Water Act, the Clean

Water Act, and EPA's Subtitle D regulations pertaining to solid waste disposal. EPA estimates that $42.2 billion will be needed by the year 2010 to bring rural wastewater treatment facilities into compliance with the Clean Water Act. Estimates by EPA, the American Water Works Association, the Congressional Budget Office, and the National Council on Public Works Improvement estimate the need for national investments in public water supply in the range of $4.5 billion to $6.3 billion annually during the next twenty years. The exact rural portion of this total is not known, but is considerable.

The President's budget for 1994 includes $876.4 million in direct Water and Waste Disposal Loans, an increase of $276.4 million over the amount available in 1993. The request for loans is accompanied by a request for $540.5 million in Water and Waste Disposal Grants, of which $25 million is directed at benefiting the colonias along the U.S.-Mexican border. The President's budget also includes $10.3 million for Emergency Community Water Assistance Grants and $3.1 million for Solid Waste Management Grants.

Community Facilities Programs

RDA Community Facility programs assist rural communities to modernize their public infrastructure in such areas as rural health care, fire stations and equipment, schools, libraries, and other facilities, enabling them to maintain and enhance their ability to provide high quality public services, and positioning them to develop their economic bases. These programs continue to be in high demand by rural communities. As of March 12, 1993, RDA had on hand 262 preapplications and applications, totalling $207.1 million, for direct Community Facility loans, and 37 preapplications and applications, totalling $38.6 million, for guaranteed Community Facility loans. A substantial portion of these Community Facility loans will be directed toward assisting rural

America in meeting its health care needs. In addition, 160 preapplications and applications were on hand, totalling $38.2 million, for the Rural Business Enterprise Grant program.

The President's budget for 1994 includes $389.4 million for direct and $75 million for guaranteed Community Facility loans. In addition, $51.3 million is requested for Rural Business Enterprise Grants, and $3.6 million for Rural Community Fire Protection Grants.

Business and Industrial Development Programs

RDA makes an important contribution to building a stronger rural economy through its financial assistance for businesses and industries. The Business and Industry loan guarantee program provides larger businesses, already critical to the rural economy, with government-backed private funding for industrial conversions and expansions that enable them to maintain and enhance their competitiveness. The Intermediary Relending Program targets smaller, emerging firms with tailored assistance provided through "intermediaries," usually regional or local private nonprofit organizations or public agencies, that are able to work closely with newer firms to better assure survival during the critical early years. RDA supports these intermediaries by making long-term loans to capitalize revolving funds.

As of March 12, 1993, RDA had on hand 125 preapplications and applications, totalling $197.8 million, for the guaranteed Business and Industry loan program, and 38 applications, totalling $32 million, for the Intermediary Relending Program. Historically, demand for these programs has been strong. As a result, RDA will be able to make effective use of all the funds appropriated to it.

The President's budget for 1994 includes $300 million for guaranteed Business and Industry loans, and $174.6 million for the direct Intermediary Relending Program.

Administrative Expenses

The request for salaries and expenses is $37.7 million with $916,000 additional for non-reimbursable program loan costs. The $37.7 million will be derived from a transfer of $27 million from the Rural Development Insurance Fund, a transfer of $2.5 million from the Rural Development Loan Fund, and $8.2 million in a direct appropriation to the Rural Development Administration. The budget request will support 402 ceiling staff-years.

In addition, the Farm Services Agency request contains a total of $37.1 million and 523 staff years for the support of Rural Development Administration programs by the Farm Services Agency field office personnel. This $37.1 million plus the $37.7 million direct RDA request will support 925 ceiling staff years for executing loan making and servicing activities associated with Rural Development Administration loan and grant programs.

Colonias Project

In the appropriations bill for fiscal year 1993, the Congress directed RDA to use $25 million of its fiscal year 1993 water and waste disposal grant funds for colonias. Together with other funding agencies, RDA has responded actively to make its programs available in these areas, and has approximately $21 million in grant applications. The Conference Report accompanying the Agriculture, Rural Development, Food and Drug Administration and Related Agencies Appropriations Act, 1993, also requested a report to Congress outlining a comprehensive strategy for successful program delivery in the

colonias. RDA is taking the lead in preparing this report, along with the Department of Health and Human Services, the Department of Housing and Urban Development, and the Environmental Protection Agency. The report is due to Congress on July 1, 1993.

This concludes my formal statement on the Rural Development Administration. I will be happy to answer any of your questions.

RURAL DEVELOPMENT ADMINISTRATION

Purpose Statement

The Rural Development Administration was established by Public Law 101-624, The Food, Agriculture, Conservation and Trade Act of 1990, enacted November 28, 1990. The Rural Development Administration's program activities include:

COMMUNITY PROGRAMS:

Community facility loans - are insured loans authorized to be made to public, quasi-public, and nonprofit associations and to certain Indian tribes in rural areas and towns with a population of 20,000 or less for essential community facilities including necessary related equipment. Loans are repayable in not more than 40 years. Direct loans bear interest not in excess of the current market yield for comparable term municipal obligations. Those loans, made in areas where: (1) the median household income of the service area falls below the higher of 80 percent of the statewide nonmetropolitan median household income or the poverty level, and (2) the project is for Health Care and related facilities or is needed to meet health or sanitary standards, bear interest not in excess of 5 percent. An intermediate rate based on the poverty rate plus one-half the difference between 5 percent and the market rate, with a ceiling of 7 percent, will apply for those projects that do not meet the requirements for the 5 percent interest rate but are located in areas where the median household income does not exceed 100 percent of the statewide nonmetropolitan median household income. Direct loan recipients also have their choice between the interest rate in effect at the time of loan approval or loan closing. An additional 2 percent is added to the interest rate if projects are built on prime farmland, unless the borrower is a public body and there are no suitable optional sites. Guaranteed loans may be made to borrowers unable to obtain credit elsewhere under similar terms and conditions. The interest rate for guaranteed loans is negotiated between the lender and borrower.

Water and waste disposal loans - are loans authorized to be made to public, quasi-public, and nonprofit associations, and to certain Indian tribes in rural areas and towns with a population not in access of 10,000 for the development, replacement, or upgrading of water systems and waste disposal systems. These loans are repayable in not more than 40 years. Direct loans bear interest not in excess of the current market yield for comparable term municipal obligations. Those loans, made in areas where: (1) the median household income of the service area falls below the higher of 80 percent of the statewide nonmetropolitan median household income or the poverty level; and (2) the project is needed to meet applicable health or sanitary standards, bear interest not in excess of 5 percent. An intermediate rate based on the poverty rate plus one-half the difference between 5 percent and the market rate, with a ceiling of 7 percent, will apply for those projects that do not meet the requirements for the 5 percent interest rate but are located in areas where the median household income does not exceed 100 percent of the statewide nonmetropolitan median household income. During FY 1993, direct loans are authorized to costs that are a result of natural disasters such as Hurricanes Andrew and Iniki and Typhoon Omar. Funds are available to the same qualifying entities that are eligible under the regular program. Guaranteed loans may be made to borrowers unable to obtain credit elsewhere under similar terms and conditions. The interest rate for guaranteed loans is negotiated between the lender and borrower.

Water and waste disposal grants - are authorized to be made to public, quasi-public, and nonprofit associations, and to certain Indian tribes for the development, storage, treatment, purification, and distribution of water or the collection, treatment, or disposal of waste in rural areas. Grants are used for water and waste disposal projects servicing the most financially needy communities to reduce user costs to a reasonable level. Grants may be made to communities that have a median household income that falls below the higher of the poverty line or 100 percent of the State's nonmetropolitan median household income. Grant rates are based on a graduated scale providing higher rates for projects in communities that have lower income levels but may not exceed 75 percent of the eligible development costs of the project. The grant rate for communities whose income level exceeds the poverty line and is more than 80 percent but less than 100 percent of the State's nonmetropolitan median household income may not exceed 55 percent of the eligible development cost of the project. In addition, P.L. 99-198,

the Food Security Act of 1985, provided that not less than 1 percent nor more than 2 percent of the water and waste disposal grant funds appropriated each year be made available for technical assistance and training of eligible grantee associations. Also, the FY 1993 Appropriations Act provides $25 million for grants to the Colonias along the United States-Mexico border. During FY 1993, grants are authorized to cover costs that are a result of natural disasters such as Hurricanes Andrew and Iniki and Typhoon Omar. Funds are available to the same qualifying entities that are eligible under the regular program.

Emergency community water assistance grants - are authorized to be made to public bodies and private nonprofit organizations for the purpose of construction or extension of waterlines, repairs or maintenance of existing systems, replacement of equipment, and payment of costs to correct emergency situations. Grants may be made for 100 percent of projected cost in rural areas and cities or towns with a population not in excess of 5,000 and a median household income not in excess of 100 percent of the State's nonmetropolitian median household income. Grants made to alleviate a significant decline in quantity or quality of water available from the water supplies in rural areas that occurred within two years of filing an application with FmHA may not exceed $500,000. Grants made for repairs, partial replacement or significant maintenance on an established system may not exceed $75,000. During FY 1993, grants are available in rural areas, cities and towns with a population not in excess of 15,000 to cover costs that are a result of natural disasters such as Hurricanes Andrew and Iniki and Typhoon Omar.

Solid-waste management grants - are authorized to be made to nonprofit organizations and public bodies in rural areas and towns up to 10,000 to local and regional governments and related agencies for reducing or eliminating pollution of water resources and improve planning and management of solid waste disposal facilities.

Business and industrial guaranteed loans - are guarantees issued to local lenders on loans made to public, private, or cooperative associations organized for profit or nonprofit, to certain Indian tribes or tribal groups, corporate entities, or to individuals for the purpose of improving, developing, or financing business, industry, and employment, and improving the economic and environmental climate in rural communities. This type of assistance is available only to businesses located in areas outside the boundary of a city of 50,000 or more and its immediate adjacent urbanized area. These loans are made at rates agreed upon by the borrower and lender with a maturity of 7, 15, or 30 years depending on the collateral offered, with a maximum of $10 million per loan. Loan Guarantees may also be issued through the Business and Industry (B&I) program for costs arising from the consequences of natural disasters such as Hurricanes Andrew and Iniki and Typhoon Omar and certain microburst wind occurrences. Loans are available in rural or nonrural areas and may include businesses engaged in agricultural production, recreation, and tourism that are ineligible for regular B&I loans.

Rural Development/Intermediary Relending Program loans - are to be made to intermediary borrowers (i.e., private nonprofit corporations, state or local government agencies, Indian tribes, and cooperatives) who, in turn, will relend the funds to rural businesses, private nonprofit organizations and others meeting the criteria for ultimate recipients. Financial assistance from the intermediary to the ultimate recipient must be for community development projects, the establishment of new businesses and/or the expansion of existing businesses, creation of employment opportunities and/or saving existing jobs. The total amount of IRP loan funds requested by the intermediary plus the outstanding balance of existing IRP loan(s) may not exceed $2,000,000 per intermediary. Additional funds are available for intermediaries that will make loans for costs that are a consequence of natural disasters such as Hurricanes Andrew and Iniki and Typhoon Omar.

Rural business enterprise grants - are made to finance and facilitate development of small and emerging private business enterprises in rural areas or cities of up to 50,000 population. Priority is given to applications for projects in open country, rural communities and towns of 25,000 and smaller and economically distressed communities. Rural business enterprise grants include grants made to third party lenders to establish revolving loan programs. Broadcasting system grants - are authorized to statewide private nonprofit public television systems, whose coverage area is predominantly rural, for the purpose of demonstrating the effectiveness of such systems in providing information on issues of importance to

farmers and rural residents. These television demonstration grants may be used for capital equipment expenditures, start-up and program costs, and other costs necessary to the operation of such demonstrations.

Other rural development grants - are provided from funds transferred from the Appalachian Regional Commission and other Federal organizations for cooperative efforts in rural development. The funded projects focus on basic needed facilities essential to the region's growth and economic development.

Alcohol Fuels Credit - The Alcohol Fuels Credit program provides guarantees, pursuant to an emergency declaration, for lines of credit for the purpose of purchasing grains or cellulosic materials for the production of alcohol fuels at established cooperative facilities as necessary to meet deliveries under contract. The percentage of guarantee is 75 percent. All advances under the line of credit must be made within 2 years of the date of the Contract of Guarantee and the final maturity must be within 3 years of the line of credit agreement.

Credit reform procedures - The 1993 Budget reflects the credit reform procedures for federal credit programs authorized by the Budget Enforcement Act of 1990, Title XIII of the Omnibus Budget Reconciliation Act of 1990. These procedures require that budget authority and outlays for these loan programs represent subsidy costs, including interest subsidies, defaults, and administrative expenses, rather than loan disbursements and repayments. Loan levels are included in the appropriation language requested for the subsidy amount for FY 1994. The appropriation language also specifies the portion of the requested budget authority to be used for administrative expenses. Budget authority for the subsidy represents the net present value of estimated cash flows over the lifetime of the loans; whereas outlays represent the portion of the subsidy related to the loan amounts disbursed within the year. Budget authority and outlays for the subsidies are presented in the Budget in "loan program accounts." All loan disbursement and repayment activity related to loans made in FY 1992 or later appear in a "financing account" and is considered "off-budget" for purposes of estimating the deficit. Budget authority and outlays for accounts" and are calculated as before, to represent disbursements, borrower repayments and payments, Federal Financing Bank repayments and Treasury loan repayments.

General - In fiscal year 1993, the budgeted lending programs will be comprised of direct and guaranteed loans. Direct loans are made directly to the borrower by the Agency and serviced by the Agency for the life of the loan.

Guaranteed loans are originated, held, and serviced by a private financial agency or other lender approved by the Secretary. The Agency guarantees to pay to the lender up to a specified percent of the face value of a guaranteed loan if the borrower fails to repay.

As of September 30, 1992, RDA's portfolio was about 10,000 borrowers total principal indebtedness of about $5.8 billion. RDA administers its programs through the Washington Headquarters and seven Regional Offices. Pursuant to a provision in the FY 1993 appropriations act, the loan making and loan servicing activities will continue to be performed by FmHA field offices. As of September 10, 1992, there were 352 RDA employees, of which, 330 were full-time employees in permanent positions. Of these, 64 PFT and 8 others were based in Washington and 266 PFT and 14 others were in the field.

RURAL DEVELOPMENT ADMINISTRATION

Available Funds and Staff Years
1992 Appropriated and Estimated 1993 and 1994

Item	1992 Appropriated Amount	1992 Staff Years	1993 Estimated Amount	1993 Staff Years	1994 Estimated Amount	1994 Staff Years
Rural Development Administration:						
Rural Development Insurance Fund:						
Program Account:						
Subsidy a/ b/	133,116,000		168,031,000		165,853,000	
Admin. Expense - Non-recoverable Loan Cost	0		914,000		911,000	
Rural Development Loan Fund:						
Program Account:						
Subsidy b/	24,364,000		18,616,000		97,769,000	
Admin. Expense - Non-recoverable Loan Cost	0		5,000		5,000	
Alcohol Fuels Credit Guarantee Fund:						
Subsidy	0		9,000,000		0	
Admin. expense	0		100,000		0	
Rural Water and Waste Disposal Grants c/	375,600,000		671,767,000		540,530,000	
Emergency Community Water Assistance Grants b/	25,400,000		10,000,000		10,270,000	
Solid Waste Management Grants...	3,000,000		3,000,000		3,081,000	
Rural Development Grants	20,750,000		20,750,000		51,310,000	
Rural Community Fire Protection Grants	3,500,000		3,500,000		3,595,000	
Salaries & Expenses:						
Direct Appropriation	0		14,787,000	162	8,153,000	88
Transfers from:						
FmHA	39,000,000	142	0		0	
RDIF Program Acct.	0		21,755,000	234	27,057,000	287
RDLF Program Acct.	0		524,000	6	2,502,000	27
Subtotal, Rural Development Admin	624,730,000	142	942,749,000	402	911,036,000	402
Obligations under other Federal Funds:						
Appalachian Regional Development Program Grants	15,539,251		5,000,000		5,000,000	
Admin. expense	63,554		150,000		150,000	
Economic Development Grants	5,519,580		500,000		500,000	
Reimbursements to Support the Initiative on Rural Development	1,453,000		4,000,000		4,108,000	
Subtotal, Other Federal Funds	22,575,385		9,650,000		9,758,000	
Total, Rural Development Administration	647,305,385	142	952,399,000	402	920,794,000	402

RURAL DEVELOPMENT ADMINISTRATION

Available Funds and Staff Years
1992 Appropriated and Estimated 1993 and 1994
(Continued)

a/ Excludes negative subsidy amounts transferred from the financing account to the proprietary receipt account.

b/ FY 1992 amounts include the FY 1992 Dire Emergency Supplemental Act.

c/ Excludes $600,269 of unobligated balance and $6,548,193 of recoveries from prior year obligations which were available in 1992 and $2,842,162 of unobligated balance available in FY 1993.

RURAL DEVELOPMENT ADMINISTRATION

Permanent Positions by Grade and Staff-Year Summary
1992 and Estimated 1993 and 1994

Grade	1992 Headqtrs	1992 Field	1992 Total	1993 Headqtrs	1993 Field	1993 Total	1994 Headqtrs	1994 Field	1994 Total
Executive Level V	1	--	1	1	--	1	1	--	1
ES-5	1	--	1	1	--	1	1	--	1
ES-4	1	--	1	1	--	1	1	--	1
GS/GM-15	43	8	51	44	7	51	44	7	51
GS/GM-14	17	14	31	17	14	31	17	14	31
GS/GM-13	47	79	126	46	80	126	46	80	126
GS-12	11	86	97	11	86	97	11	86	97
GS-11	1	--	1	1	--	1	1	--	1
GS-10	1	--	1	1	--	1	1	--	1
GS-9	1	--	1	1	--	1	1	--	1
GS-8	2	7	9	2	7	9	2	7	9
GS-7	13	13	26	13	13	26	13	13	26
GS-6	14	19	33	14	19	33	14	19	33
GS-5	2	20	22	2	20	22	2	20	22
GS-4	1	--	1	1	--	1	1	--	1
Total Permanent Positions........	156	246	402	156	246	402	156	246	402
Unfilled Positions end-of-year......	-92	+20	-72	--	--	--	--	--	--
Total, Permanent Employment, end-of year..........	64	266	330	156	246	402	156	246	402
Ceiling Staff Years...........	32	108	140	156	246	402	156	246	402

RURAL DEVELOPMENT ADMINISTRATION

CLASSIFICATION BY OBJECTS
FY 1992 and Estimated FY 1993 and FY 1994

Personnel Compensation:	FY 1992	FY 1993	FY 1994
Headquarters................	$2,127,000	$7,224,000	$7,549,000
Field......................	4,435,000	11,299,000	11,807,000
11 Total personnel compensation..	6,562,000	18,523,000	19,356,000
12 Personnel benefits............	3,839,000	4,920,000	5,006,000
13 Benefits for former personnel.	0	600,000	100,000
Total personnel compensation and benefits....................	10,401,000	24,043,000	24,462,000
Other Objects:			
21 Travel........................	1,094,000	3,310,000	3,368,000
22 Transportation of things......	828,000	889,000	905,000
23.2 Rental payments to others.....	31,000	700,000	712,000
23.3 Communication, utilities and misc. charges...........	43,000	1,557,000	1,584,000
24 Printing and reproduction.....	3,000	471,000	480,000
25.2 Other services................	118,954,000	128,478,000	121,616,000
26 Supplies and materials........	141,000	305,000	310,000
31 Equipment.....................	1,131,000	1,372,000	1,396,000
33 Investments and loans.........	735,416,000	1,265,859,000	1,459,994,000
41 Grants, subsidies and contributions................	508,637,000	979,437,000	872,408,000
42 Insurance claims and indemnities..................	0	17,000	403,000
43 Interest and dividends........	668,422,000	695,872,000	724,117,000
44 Refunds.......................	1,490,000	1,500,000	1,400,000
Total other objects................	2,036,190,000	3,079,767,000	3,188,693,000
Total obligations....................	2,046,591,000	3,103,810,000	3,213,155,000

Position Data:

Average Salary, ES positions......	$104,000	$109,100	$109,100
Average Salary, GM/GS positions...	$42,652	$48,578	$48,578
Average Grade, GM/GS positions....	10.54	11.52	11.52

RURAL DEVELOPMENT ADMINISTRATION
SUMMARY OF PROGRAM LEVELS: FY 1992 - FY 1994
(Dollars in Thousands)

	FY 1992 ACTUAL		FY 1993 TOTAL ESTIMATE		FY 1994 PRESIDENT BUDGET	
	NUMBER	AMOUNT	NUMBER	AMOUNT	NUMBER	AMOUNT
RURAL DEVELOPMENT LOAN PROGRAMS						
Direct Water and Waste Loans	859	600,000	1,514	1,070,000	1,224	876,390
Dir. Water/Waste Lns Emer Supp	0	0	47	35,500	0	0
Guar Water and Waste Loans	12	4,610	90	35,000	91	35,945
Dir Community Facility Loans	241	100,000	225	94,601	915	389,410
Guar Community Facility Loans	31	25,000	122	100,000	91	75,000
Guaranteed B&I Loans	95	99,994	94	100,000	278	300,000
Guar. B&I Loans Emerg. Supp.	0	0	290	305,000	0	0
Guar B&I Drought/Disaster Lns	4	1,128	0	0	0	0
RDLF Intermediary Relending	35	32,500	35	32,500	183	174,587
RDLF Intern. Relend Emerg Supp	0	0	15	14,255	0	0
Alcohol Fuels Guar Loans	0	0	17	18,727	0	0
SUBTOTAL RD LOANS	1,277	863,232	2,449	1,805,583	2,782	1,851,332
RURAL DEVELOPMENT GRANT PROGRAMS						
Water and Waste Grants	628	354,306	1,180	674,609	935	540,530
Water and Waste Gts Emer Supp	0	0	45	25,600	0	0
Rural Development Grants	142	20,750	140	20,750	342	51,310
Solid Waste Mngt Grants	26	3,000	26	3,000	26	3,081
Emer Comm Water Asst Grants	42	10,000	44	10,000	45	10,270
Emer Comm Water Asst Gt Em Sup	0	0	69	15,400	0	0
SUBTOTAL RD GRANTS	838	388,056	1,504	749,359	1,348	605,191
FARM COMMUNITY LOANS						
Watershed and Flood Prev.Lns	2	502	5	4,000	5	4,108
Resource, Conserv and Dev Lns	0	0	2	600	2	616
SUBTOTAL FARM COMMUNITY LOANS	2	502	7	4,600	7	4,724
TOTAL RDA PROGRAMS	2,117	1,251,790	3,960	2,559,542	4,137	2,461,247
OTHER PROGRAMS						
Fire Grants	3,077	3,456	3,507	3,500	3,507	3,595

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RURAL DEVELOPMENT ADMINISTRATION
COMPARISON OF LOAN DELINQUENT RATE
(Dollars in Thousands)

	September 30, 1991						September 30, 1992					
	All Borrowers		Borrowers Delinquent				All Borrowers		Borrowers Delinquent			
	Number	Amount of Loans Outstanding	Number	% of Del	Amount Delinquent	% of All	Number	Amount of Loans Outstanding	Number	% of Del	Amount Delinquent	% of All
Rural Development Insur. Fund												
Community Facilities Loans:												
Water and Waste...........	7,006	3,335,058	67	1	7,578	0	7,218	3,580,076	69	1	5,641	0
Other Community Facilities 1/	1,937	983,682	32	2	4,139	0	1,991	1,015,131	45	2	6,273	1
Business and Industry Loans:												
Insured................	19	14,462	3	16	489	3	18	13,600	3	17	702	5
Guaranteed............	1,248	1,179,944	187	15	183,456	16	1,290	1,080,013	181	14	135,503	13
Nonprogram Loans..........	7	2,875	--	--	--	--	7	2,771	1	--	9	--
Total, RDIF......	10,217	5,516,021	289	3	195,662	4	10,524	5,691,591	298	3	148,119	3
Community Service Adminis. 2/												
Economic Opportunity Loans:												
Individual................	36	55	27	75	80	145	24	41	20	83	60	146
Cooperative...............	15	1,299	3	20	125	10	14	1,045	2	14	115	11
BRLF and FmHA Other.........	114	5,282	15	13	73	1	101	5,012	15	15	67	1
Total, CSA.......	165	6,636	45	27	278	4	139	6,098	37	27	242	4
Total, RDA.......	10,382	5,522,657	334	3	195,940	4	10,663	5,697,689	335	3	148,361	3

1/ Information on Intermediary Relending Loans not available at this time.
2/ RDA is responsible only for servicing on Equal Opportunity Loans, the last of which were made in FY 1974.

RURAL DEVELOPMENT ADMINISTRATION
Direct Aging Schedule of Loan Delinquencies - Sept. 30, 1992
(Dollars in Thousands)

	Total Delinquent For all Years		1 Yr or Less Delinquent				1 to 2 Years Delinquent				2 to 3 Years Delinquent				3 to 4 Years Delinquent				Over 4 Years Delinquent			
	Number	Amount Delinq.	Number	% of Del	Amount Delinq.	% of Del	Number	% of Del	Amount Delinq.	% of Del	Number	% of Del	Amount Delinq.	% of Del	Number	% of Del	Amount Delinq.	% of Del	Number	% of Del	Amount Delinq.	% of Del
Rural Development																						
Community Facilities Loans:																						
Water and Waste..........	69	$5,641	48	70	$655	12	4	6	$177	3	4	6	$510	9	1	1	$290	5	12	17	$4,009	71
Other Comm. Facilities 1/	52	7,453	30	58	856	11	7	14	501	7	4	8	957	13	0	0	0	0	11	21	5,139	69
Business and Industry Lns:																						
Insured................	3	702	0	0	0	0	0	0	0	0	1	33	235	33	1	33	322	46	1	33	145	21
Guaranteed...........1/																						
Nonprogram Loans.........	1	9	1	100	9	100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total, RD.......	125	13,805	79	63	1,520	11	11	9	678	5	9	7	1,702	12	2	2	612	4	24	19	9,293	67
Community Service Adminis. 2/																						
Economic Opportunity Loans:																						
Individual..............	20	60	3	15	11	18	1	5	1	2	1	5	1	2	0	0	0	0	15	75	47	78
Cooperative............	2	115	1	50	16	14	0	0	0	0	0	0	0	0	0	0	0	0	1	50	99	86
BRLF and FmHA Other........	15	67	6	40	2	3	1	7	3	4	5	33	30	45	0	0	0	0	3	20	32	48
Total, CSA....	37	242	10	27	29	12	2	5	4	2	6	16	31	13	0	0	0	0	19	51	178	74
Total, RDA....	162	14,047	89	55	1,549	11	13	8	682	5	15	9	1,733	12	2	1	612	4	43	27	9,471	67

1/ Information on Guaranteed Loan and Intermediary Relending Loans not available at this time.
2/ RDA is responsible only for servicing the Equal Opportunity Loans, the last of which were made in FY 1974.

RURAL DEVELOPMENT ADMINISTRATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses

For necessary expenses of the Rural Development Administration, not otherwise provided for, in administering the rural development programs of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921-2000), as amended, section 1323 of the Food Security Act of 1985 (7 U.S.C. 1932 note), and title VI of the Rural Development Act of 1972, [$37,066,000] $37,712,000; of which [$14,787,000] $8,153,000 is hereby appropriated, [$21,755,000] $27,057,000 shall be derived by transfer from the Rural Development Insurance Fund Program Account in this Act and merged with this account, and [$524,000] $2,502,000 shall be derived by transfer from the Rural Development Loan Fund Program Account in this Act and merged with this account: Provided, That not to exceed $500,000 shall be for employment under 5 U.S.C. 3109.

SALARIES AND EXPENSES

	Appropriation	Program Resources	Total
Appropriations Act, 1993	$14,787,000	$22,379,000	$37,166,000
Budget Estimate, 1994	8,153,000	29,559,000	37,712,000
Change in Appropriation	-6,634,000	+7,180,000	+546,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	Salaries & Expenses Direct Approp.	RDIF Program Account	RDLF Program Account	Total Available
FY 1993 Estimate	$14,787,000	$21,755,000	$524,000	$37,066,000
Items of Increase and Decrease:				
Pay Costs	-4,084,000	3,722,000	1,282,000	920,000
Other Changes	-2,550,000	1,580,000	696,000	-274,000
Total Appropriation for FY 1994	8,153,000	27,057,000	2,502,000	37,712,000

PROJECT STATEMENT
(On basis of appropriation)
(Dollars in thousands)

Project	1992 Actual Amount	1992 Actual Staff Years	1993 Estimate Amount	1993 Estimate Staff Years	Increase or Decrease	1994 Estimate Amount	1994 Estimate Staff Years
Salaries and Expenses Appropriation	0	0	$14,787	162	-$6,634	$8,153	88 3/
Administrative Expenses contained in other accounts:							
Rural Development Insurance Fund Program Account	0	0	21,755	234	5,302	27,057	287 3/
Rural Development Loan Fund Program Account	0	0	524	6	1,978	2,502	27 3/
Transfer from FmHA	$39,000	250	100	0	-100	0	0
Subtotal 1/	39,000	250	37,166	402	546	37,712	402
Loan Program expenses 2/	0	0	(919)	0	(-3)	(916)	0
Total Administrative Expenses	(39,000)	(250)	(38,085)	(402)	(543)(1)	(38,628)	(402)
Transfers from Other Accounts	-39,000	-250	-22,379	-240	-7,180	-29,559	-314
Total Appropriation	0	0	14,787	162	-6,634	8,153	88

1/ Excludes reimbursments of $1,453,000 in FY 1992, $4,000,000 in FY 1993 and $4,108,000 in FY 1994, for the National Initiative on Rural Development.

2/ Non-recoverable loan costs paid out of liquidating accounts in FY 1992 and program accounts in FY 1993 and beyond as required by Credit Reform.

3/ An additional $37,120,000 is included in the Farm Service Agency (FSA) salaries and expenses for the purpose of administering RDA programs in state and district offices. Of the FSA total, $1,172,000 and 14 staff years is transferred from the ACIF, $27,560,000 and 391 staff years is transferred from the RDIF, and $8,388,000 and 118 staff years is requested from direct appropriations.

EXPLANATION OF PROGRAM

The Food, Agriculture, Conservation, and Trade Act of 1990, P.L. 101-642, and Secretary's Memorandum 1020.34, dated December 31, 1991, established the Rural Development Administration. Rural Development Administration is devoted to the efficient delivery of programs of financial and technical assistance to rural communities concerning water and waste disposal, essential community facilities, other community services, and business financing. Activities include reviewing applications, servicing the loan portfolio and providing technical assistance and guidance to borrowers; and to assist in extending other Federal programs to people in rural areas. At all levels of the organization, the effective delivery of these programs will occupy the bulk of the organization's staff resources.

Rural Development Administration began its mission built upon the base of the Community and Business Programs of the Farmers Home Administration (FmHA). During FY 1992 and FY 1993, these programs were delivered at the state and local level by FmHA staff in State and District offices. It is anticipated that Farm Service Agency personnel will continue to make and service these RDA programs at state and local levels through FY 1994, or until RDA is authorized to establish its Area Offices. At the same time, RDA has an opportunity to provide national leadership to rural development by focusing attention on high priority development opportunities and facilitating collaborative operations among government agencies and other development organizations. This national leadership role will occupy a major share of the organization's attention.

Amounts for Salaries and Expenses are distributed between programs on the basis of staff years required to make and service loans and grants, based on Resource Management System standards. Since relatively more staff years are required to administer the increased loan programs in FY 1994, the amounts appropriated to the program loan accounts has increased relative to the amounts appropriated to the direct Salaries and Expenses account for administration of the grant programs.

JUSTIFICATION OF INCREASES AND DECREASE

(1) A net increase of $543,000 for the administration of loan and grant programs consisting of:

(a) An increase of $433,000 which reflects a 2.7 percent increase in non-salary costs.

Need or Change. These funds are necessary to offset increased operating costs. Continued absorption of these increased operating costs will severely affect the quality and quantity of our programs.

Nature of Change. This increase will be used to maintain a current level of services associated with inflation which will affect the critical parts of the program.

(b) An increase of $497,000 which reflects the annualization of the fiscal year 1993 pay raise.

Need for Change. This item of increase is needed to fund the annualization of the FY 1993 pay cost increase for 402 ceiling staff years and normal salary adjustments.

Nature of Change. The request will cover the annualization of the FY 1993 pay costs and other salary adjustments occurring in FY 1993.

(c) A decrease of $387,000 which reflects a 3 percent reduction in administrative expenses from the amount made available for FY 1993 adjusted for inflation.

Need for Change. To promote the efficient use of resources for administrative purposes, in keeping with the President's Executive Order, total USDA baseline outlays for these activities will be

JUSTIFICATION OF INCREASES AND DECREASE (Cont.)

reduced by 3 percent in FY 1994, 6 percent in FY 1995, 9 percent in FY 1996 and 14 percent in FY 1997.

Nature of Change. In order to achieve this savings, RDA will carefully monitor travel, training, supply purchases, printing and reproduction costs and utility usage.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1992 Actual and Estimated 1993 and 1994

Salaries and Expenses

	1992		1993		1994	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Regional Offices 1/..	$10,073,015	108	$25,111,260	246	$25,510,200	246
National Office......	9,656,969	32	16,054,740	156	16,309,800	156
Unobligated Balance..	20,723,016	262	0	0	0	0
TOTAL, Available or Estimate	40,453,000	402	41,166,000	402	41,820,000	402

1/ Amounts are not distributed by geographical area since the Area Offices have not been funded.

RURAL DEVELOPMENT ADMINISTRATION

The 1994 Budget Estimates include proposed changes in the language as follows (new language underscored; deleted matter enclosed in brackets):

Rural Development Insurance Fund Program Account:

For gross obligations for the principal amount of direct and guaranteed loans as authorized by 7 U.S.C. 1928 and 86 Stat. 661-664, as amended, to be available from funds in the Rural Development Insurance Fund, as follows: water and sewer facility loans, [$635,000,000] $682,335,000, of which
1 [$35,000,000] $35,945,000 shall be for guaranteed loans; direct community facility loans, [$200,000,000, of which $100,000,000 shall be for guaranteed loans] $89,410,000; and guaranteed industrial development loans, $100,000,000: Provided, That none of the funds made available in this Act may be used to make transfers between the above limitations.

For the cost of direct and guaranteed loans, including the cost of modifying loans, as defined in section 502 of the Congressional Budget Act of 1974, as
2 follows: direct water and sewer facility loans, [$87,360,000] $89,719,000;
3 direct community facility loans, [$8,410,000] $8,637,000; and guaranteed
4 industrial development loans, [$5,440,000.] $930,000: Provided, That sums are to remain available through 2005 for the disbursement of loans obligated in fiscal year 1994.

In addition, for administrative expenses necessary to carry out the direct and guaranteed loan programs, [$58,208,000] $55,528,000.

The first change eliminates the appropriation language for guaranteed community facility loans. Funding is included in the investment budget request.

The second change includes the appropriation language for the direct water and sewer loan subsidy.

The third change includes the appropriation language for the direct community facility loan subsidy.

The fourth change provides language which will allow for the disbursement of FY 1994 obligated subsidy to the financing accounts beyond the five-year limitation set forth in P.L. 101-510, the National Defense Authorization Act for 1991.

Rural Development Insurance Fund Program Account
(On basis of loan level, subsidy, and administrative expense)
(In thousands of dollars)

	Loan Level	Subsidy	Administrative Expense
Appropriations Act, FY 1993............	$935,000	$101,210	$58,208
Budget Estimate, FY 1994...............	871,745	99,286	55,528
Change in Appropriation.................	-63,255	-1,924	-2,680

PROJECT STATEMENT
(On basis of appropriated loan levels, subsidies, and administrative expenses)
(In thousands of dollars)

Item of change	1992 Actual		1993 Appropriations		Increase or Decrease		1994 Estimated	
	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy
Water and waste disposal:								
Direct loans	$600,000	$84,588	$600,000	$87,360	$46,390 (1)	$2,359	$646,390	$89,719
Guaranteed loans a/	4,610	0	35,000	0	945 (2)	0	35,945	0
Community facility:								
Direct loans	100,000	10,597	100,000	8,410	-10,590 (3)	227	89,410	8,637
Guaranteed loans b/	25,000	0	100,000	0	-100,000 (4)	0	0	0
Business and industry:								
Guaranteed loans	99,994	5,870	100,000	5,440	0	-4,510	100,000	930
Total:								
Direct loans and subsidies	$700,000	$95,185	$700,000	$95,770	$35,800	$2,586 (5)	$735,800	$98,356
Guaranteed loans and subsidies	129,604	5,870	235,000	5,440	-99,055	-4,510 (6)	135,945	930
Total:								
Loans and Subsidies	$829,604	$101,055	$935,000	$101,210	$-63,255	$-1,924	$871,745	$99,286
1992 Supplemental Act Carryover c/			340,500	24,217	-340,500	-24,217	0	0
Economic Stimulus			470,000	66,821	-470,000	-66,821	0	0
Investment Proposal			0	0	805,000	62,764	805,000	62,764
Total President's Budget	829,604	101,055	1,745,500	192,248	-68,755	-30,198	1,676,745	162,050
Administrative expenses d/	52,286	0	58,208	0	-2,680 (7)	0	55,528	0

Staff-years are reflected in the Salaries and Expense Project Statement.

a/ Because a negative subsidy rate was calculated in FY 1992, FY 1993 and FY 1994, the official subsidy rate is 0%. Therefore, a corresponding budget authority is not required.

b/ Because a negative subsidy rate was calculated in FY 1992 and FY 1993, the official subsidy rate is 0%. Therefore, a corresponding budget authority is not required.

c/ Includes direct water & waste loan program level of $35,500,000 and $5,917,000 subsidy and guaranteed business & industry loan program level of $305,000,000 and $18,300,000 subsidy.

d/ The FY 1992 estimate of administrative expense is not comparable to the FY 1993 and FY 1994 estimates. In 1992, the total $52.3 million was transferred to FmHA Salaries and Expenses. Of the $58,208,000 for administrative expenses in FY 1993, $35,539,000 was transferred to FmHA Salaries and Expenses, $21,755,000 was transferred to RDA Salaries and Expenses, and $914,000 was retained for obligation of program-related nonrecoverable cost. Of the $55,528,000 in FY 1994, $27,560,000 will be transferred to FSA Salaries and Expenses, $27,057,000 will be transferred to RDA Salaries and Expenses, and $911,000 will be obligated for program-related nonrecoverable costs.

PROJECT STATEMENT
(On basis of 1993 loan levels and subsidies supportable
under the 1993 Appropriations Act
(In thousands of dollars)

Item of change	1993 Appropriated		Increase or Decrease		1993 Current Estimate	
	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy
Water and waste disposal:						
Direct loans	$600,000	$87,360	0	$-1,660	$600,000	$85,700
Guaranteed loans.........a/	35,000	0	0	0	35,000	0
Community facility:						
Direct loans	100,000	8,410	$-5,399	132	94,601	8,542
Guaranteed loans.........a/	100,000	0	0	0	100,000	0
Business and industry:						
Guaranteed loans	100,000	5,440	0	-30	100,000	5,410
Total:						
Direct loans and subsidies	$700,000	$95,770	$-5,399	$-1,528	$694,601	$94,242
Guaranteed loans and subsidies	235,000	5,440	0	-30	235,000	5,410
Total:						
Loans and Subsidies	$935,000	$101,210	$-5,399	$-1,558	$929,601	$99,652
1992 Supplemental Act Carryover	340,500	24,217	0	-2,643	340,500	21,574
Economic Stimulus	470,000	66,821	-2,394	0	467,606	66,821
Total President's Budget	$1,745,500	$192,248	$-7,793	$-4,201	$1,737,707	$188,047

Staff-years are reflected in the Salaries and Expense Project Statement.

a/ Because a negative subsidy rate was calculated in FY 1993, the official subsidy rate is 0%. Therefore, a corresponding budget authority is not required.

Note - Loan levels are reduced because the subsidy rate has increased and cannot support the appropriated loan level.

EXPLANATION OF PROGRAM

As required by Title XIII, section 13201, of the Omnibus Budget Reconciliation Act of 1990, this account records the subsidy costs associated with the direct loan obligations and guaranteed loan commitments of this account in FY 1992 and beyond. Subsidy amounts are obtained by estimating the difference between the Government's cash disbursements and the net present value of the Government's cash inflows resulting from direct and guaranteed loans made through this account. For the requested FY 1994 direct loans of $735,800,000 and guaranteed loans of $135,945,000, the associated lifetime subsidy is estimated to be $98,356,000 and $930,000, respectively.

The Rural Development Act of 1972 authorized the establishment of the Rural Development Insurance fund under section 309A of the Consolidated Farm and Rural Development Act. This Act provided for transfer to the Rural Development Insurance Fund the assets and liabilities of the Agricultural Credit Insurance Fund applicable to loans for water systems and waste disposal facilities. This fund is used to insure or guarantee loans for water systems and waste disposal facilities, community facilities and industrial development in rural areas. A description of each type of loan follows:

Direct water and waste disposal loans. Loans are made to public bodies, organizations operated on a not for profit basis and Indian tribes on Federal and State Reservations and other Federally recognized Indian tribes, for the development of storage, treatment, purification, or distribution of water or the collection, treatment, or disposal of waste in rural areas. A rural area includes any area in any city or town which has a population of not more than 10,000 inhabitants.

Applicants must be unable to obtain sufficient credit elsewhere to finance actual needs at reasonable rates and terms. RDA loans are repayable in not more than 40 years or the useful life of the facility, whichever is less. These loans bear interest not in excess of the current market yield for comparable term municipal obligations. Those loans, made in areas where the median household income falls below the higher of 80 percent of the statewide nonmetropolitan median household income or the poverty level and the project is needed to meet health or sanitary standards, bear interest not in excess of 5 percent, the poverty line interest rate. The intermediate interest rate, which is the poverty line rate plus one-half the difference between the poverty line rate and the market rate, with a ceiling of 7 percent, applies when the loan does not meet the requirements of the poverty line rate and the median household income of the service area is not more than 100 percent of the nonmetropolitan median household income of the State.

Guaranteed water and waste disposal loans. Beginning in FY 1990, guaranteed loan authority was made available through the water and waste disposal loan program. Eligible borrowers and loan purposes are similar to those under the direct water and waste disposal loan program with the exception that loans involving tax-exempt obligations and loans involving a RDA grant may not be guaranteed. Normally, the guarantee will not exceed 80 percent, however, in extraordinary circumstances it may be increased up to a maximum of 90 percent. The interest rate is negotiated between the borrower and lender and may be a fixed or variable rate.

Direct community facility loans. Loans are made to public bodies, organizations operated on a not for profit basis and Indian tribes on Federal and State Reservations and other Federally recognized Indian tribes, to construct, enlarge, extend, or otherwise improve community facilities which provide essential services to rural residents. Such facilities include those providing or supporting overall community development such as fire and rescue services, health care, hydroelectric generation, and community, social and cultural benefits. Loans are made for facilities which primarily serve rural residents of open country and rural towns and villages of not more than 20,000 population.

Applicants must be unable to obtain sufficient credit elsewhere to finance actual needs at reasonable rates and terms. Loans are repayable in not more than the useful life of the facility or 40 years, whichever is less. These loans bear interest not in excess of the current market yield for comparable term municipal obligations. Those loans, made in areas where the median household income falls below the higher of 80 percent of the statewide nonmetropolitan median household income or the poverty level and the project is needed to meet health or sanitary standards, bear interest not in excess of 5 percent which is the poverty line interest rate. Also loans, made in areas where the median household income falls below the higher of 80 percent of the statewide nonmetropolitan median household income or the poverty level and the project provides for health care and related facilities will bear an interest rate not in excess of 5 percent. The intermediate interest rate, which is the poverty line rate plus one-half the difference between the poverty line rate and the market rate, with a ceiling of 7 percent, applies when the loan does not meet the requirements of the poverty line rate and the median household income of the service area is not more than 100 percent of the nonmetropolitan median household income of the State. An additional 2 percent is added to the interest rate if the projects are built on prime farmland, unless the borrower is a public body and there are no suitable optional sites.

Guaranteed community facility loans. Beginning in FY 1990, guaranteed loan authority was made available through the community facilities loan program. Eligible borrowers and loan purposes are similar to those under the direct community facilities loan program with the exception that loans involving tax-exempt obligations and loans involving a FmHA grant may not be guaranteed. Normally, the guarantee will not exceed 80 percent, however, in extraordinary circumstances it may be increased up to a maximum of 90 percent. The interest rate is negotiated between the borrower and lender and may be a fixed or variable rate.

Guaranteed business and industrial development loans. These guaranteed loans are made to public, private, or cooperative organizations organized for profit or nonprofit, to certain Indian tribes or tribal groups, corporate entities, or to individuals for the purpose of improving the economic climate in rural areas. Such purposes include financing business and industrial acquisition, construction, conversion, enlargement, repair or modernization; financing the purchase and development of land, easements, rights-of-way, buildings, equipment, facilities, machinery, supplies and materials; and paying start-up costs and supplying working capital. Industrial development loans may be made in any area that is not within the outer boundary of any city having a population of 50,000 or more and its immediately adjacent urbanized and urbanizing areas with a population density of more than 100 persons per square mile. Special consideration for such loans is given to rural areas and cities having a population of 25,000 or less. To obtain a loan, a borrower must have the legal capacity necessary for constructing, operating, and maintaining the proposed facility and for obtaining, securing, and repaying the loan. A borrower must be financially sound and so organized and managed that efficient service will be provided. Loans may be guaranteed by FmHA not to exceed 90 percent of the loss. Guaranteed loans may be made with maturities of 7, 15 or 30 years, depending on the collateral, and bear interest at a rate agreed upon by the lender and borrower.

JUSTIFICATION OF INCREASES AND DECREASES

The Administration recognizes the need to continue financial assistance by providing direct water and waste loans to low-income communities to aid their efforts in meeting Federal water quality and drinking water standards. Improved water and waste disposal services in rural areas are essential elements in our Nation's efforts to sustain and revitalize rural communities. This program is an essential element in providing needed financial assistance to the poorest rural communities to improve their health and economic conditions. The development of water and waste disposal systems is necessary if the basic quality of life in rural areas is to be stabilized and improved.

The 1990 Environmental Protection Agency (EPA) Needs Survey indicates that rural areas with a population of less than 10,000 need $14.2 billion to bring their wastewater treatment facilities into compliance with the Clean Water Act. The survey also shows that total backlog and future needs to the year 2010 are $42.2 billion. EPA'S Office of Drinking Water issued a report, entitled "The National Compliance Report", which shows that 72 percent of community water systems in significant noncompliance with the Safe Drinking Water Act were very small systems. Many of the rural communities that are included in these statistics will need the assistance of water and waste disposal loans to bring their water or sewer systems into compliance at a cost the residents can afford.

The Food, Agriculture, Conservation and Trade Act of 1990, amended the Consolidated Farm and Rural Development Act to give rural businesses the same eligibility status as rural residents. Rural communities can now receive financial assistance to make needed improvements to their water and waste disposal facilities to meet the needs of rural businesses. Construction or improving water and waste disposal facilities to the meet the demands of rural businesses will increase the already heavy demand for water and waste loans and grants.

The 1994 budget reflects the Administration's continuing concern for rural development through continued funding for direct community facility loans. As of March 12, 1993, there are 262 applications and preapplications on hand totaling over $207 million for direct community facility funding. Priority will be given to low income rural communities that have the greatest need for public safety and health care services in accordance with the priority system set up in FmHA regulations. This program level will provide support for 210 community facilities.

The guaranteed community facility loan program will be targeted toward higher income taxable borrowers who can afford closer to market rate loans. This program will serve communities that are more financially stable and need only a little help in obtaining loans from private lender. As of March 12, 1993, there are 37 applications and preapplications on hand totaling over $21 million for guaranteed community facility funding.

The guaranteed business and industry loan program improves the economic and development climate and creates jobs in rural areas by bolstering the existing private credit structure through loan guarantees.

(1) An increase of $46,390,000 for direct water and waste loans ($600,000,000 available in FY 1993).

Need for Change. The 1994 budget reflects the Administration's continuing concern for rural development by proposing increased funding for direct water and waste disposal loans. As of March 4, 1993, there were 1,279 applications and preapplications on hand totaling over $1,258 million.

Nature of Change. This program level will provide support for 903 water and waste systems.

(2) An increase of $945,000 for guaranteed water and waste loans ($35,000,000 available in FY 1993).

Need for Change. The guaranteed water and waste disposal loans will be targeted toward higher income borrowers who can afford market rate loans. Additional funding will help alleviate the backlog of applications and preapplications in the direct program.

Nature of Change. This level of funding will provide support for 91 water and waste disposal.

(3) A decrease of $10,590,000 for direct community facility loans ($100,000,000 available in FY 1993).

Need for Change. The decrease is the result of the FY 1993 program level being increased by inflation, then offset to cover the increased subsidy cost. Therefore, loan authority is decreased to the level that is supportable as a result of higher subsidy rate.

Nature of Change. This program level will provide funds for 210 community facilities.

(4) A decrease of $100,000,000 for guaranteed community facilities loans ($100,000,000 was available in FY 1993).

This decrease is the result of a technicality caused by computing a baseline budget for a program with no cost in FY 1993, i.e. zero loan authority and FY 1994 program with cost, i.e. the subsidy rate is positive. This program, however, is provided for in the investment budget proposal.

(5) An increase of $2,586,000 for direct loans subsidy ($95,770,000 was available in FY 1993).

Need for Change. This estimated subsidy amount is necessary to support the direct loan obligations associated with the requested FY 1994 loan levels, as required under the provisions of the Omnibus Budget Reconciliation Act of 1990.

(6) A decrease of $4,510,000 in the guaranteed loan subsidy ($5,440,000 available in FY 1993).

Need for Change. This estimated subsidy amount is necessary to support the guaranteed loan obligations associated with the requested FY 1994 loan levels, as required under the provisions of the Omnibus Budget Reconciliation Act of 1990. The decrease is attributed to changes in cash flow variables and economic assumptions.

(7) A decrease of $2,680,000 in administrative expenses.

Need for Change. Justification for administrative expenses in the amount of $55,528,000 and the associated staff-years are reflected in the Salaries and Expenses Project Statement, since that amount will be transferred to Salaries and Expenses. The balance of $911,000 will be retained by the program account for obligation of program-related, nonrecoverable cost such as environmental assessments, analysis and audits.

Rural Development Insurance Fund Program Account
Summary of Economic Stimulus Proposal

SUMMARY OF INCREASES - ECONOMIC STIMULUS PROPOSAL
(Dollars in thousands)

Item of Change	FY 1993 Current Estimate	FY 1993 Economic Stimulus Proposal	FY 1993 Total Proposal
Water and waste disposal:			
Direct loans.............	$635,500	$470,000	$1,105,500
Direct subsidy..........	93,277	66,821	160,098

EXPLANATION OF ECONOMIC STIMULUS PROPOSAL

This supplemental request will provide $470 million in direct water and waste disposal loan authority to the Rural Development Administration to meet water and waste water needs in rural America. The increased funding will support 665 additional loans.

PROPOSED LANGUAGE

For an additional amount for the "Rural development insurance fund program account," for the costs of water and sewer direct loans, $66,821,000, to subsidize additional gross obligations for the principal amount of direct loans not to exceed $470,000,000.

Rural Development Administration
Rural Development Insurance Fund - Program Account
SUMMARY OF INCREASES AND DECREASES - INVESTMENT PROPOSAL
(Dollars in thousands)

	1994					
	Base Request		Investment Proposal		Total Request	
Item of change	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy
Water and waste disposal:						
Direct loans	$646,390	$89,719	$230,000	$31,924	$876,390	$121,643
Community facility:						
Direct loans	89,410	8,637	300,000	28,980	389,410	37,617
Guaranteed loans	0	0	75,000	3,803	75,000	3,803
Business and industry:						
Guaranteed loans	100,000	930	200,000	1,860	300,000	2,790
Total:						
Direct loans and subsidies	735,800	98,356	530,000	60,904	1,265,800	159,260
Guaranteed loans and subsidies	100,000	930	275,000	5,663	375,000	6,593

Explanation of Investment Proposal

The additional direct water and waste funding will provide increased assistance to rural communities to comply with Federal clean water environmental standards. Rural communities are unable to meet these expensive standards without Federal assistance. The proposed increased funding will provide 321 loans. The investment initiative will provide additional funds for direct and guaranteed community facility loans for construction of rural health care clinics, fire stations and equipment, and other vital facilities. Guaranteed business and industry loans will be increased to assist rural businesses in securing start-up capital and financing for expansion, creating jobs and helping diversify the rural economy.

This investment will upgrade rural infrastructure, stimulate rural economic development, improve the quality of rural life, and increase employment opportunities in rural areas.

Proposed Language

In addition to funding already available under this head, and subject to the same terms and conditions, for the cost of direct and guaranteed loans, including the cost of modifying loans, as defined in section 502 of the Congressional Budget Act of 1974, as follows: direct water and sewer facility loans, $31,924,000; community facility loans, $32,783,000, of which $3,803,000 shall be for guaranteed loans; and guaranteed industrial development loans, $1,860,000: Provided, That sums are to remain available through 2005 for the disbursement of loans obligated in fiscal year 1994: Provided further, That these funds are available to subsidize gross obligations for the principal amount of direct and guaranteed loans as authorized by 7 U.S.C. 1928 and 86 Stat. 661-664, as amended, to be available from funds in the Rural Development Insurance Fund, as follows: direct water and sewer facility loans, $230,000,000; community facility loans, $375,000,000, of which $75,000,000 shall be for guaranteed loans; and guaranteed industrial development loans, $200,000,000: Provided further, That none of the funds made available in this Act may be used to make transfers between the above limitations.

Justification for Investment Proposal

This language supports the Administration's effort to provide economic stimulus through investment in improving the national infrastructure.

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Rural Development Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 and Estimated 1993 and 1994

Rural Development Insurance Fund
Water and Waste Disposal Loan Program - Direct

	1992 Amount	1993 Amount	1994 Amount
Alabama	4,370,400	14,979,000	20,671,020
Alaska	1,700,000	1,034,000	1,426,920
Arizona	3,610,000	3,500,000	4,830,000
Arkansas	14,559,900	10,909,000	15,054,420
California	31,999,580	15,698,000	21,663,240
Colorado	5,115,300	4,086,000	5,638,680
Connecticut	7,130,000	4,503,000	6,214,140
Delaware	132,700	1,363,000	1,880,940
Florida	13,976,100	12,474,000	17,214,120
Georgia	15,764,400	18,866,000	25,960,080
Hawaii	--	942,000	1,299,960
Idaho	787,900	3,496,000	4,824,480
Illinois	9,236,300	14,945,000	20,624,100
Indiana	13,367,100	14,108,000	19,469,040
Iowa	15,931,440	8,507,000	11,739,660
Kansas	8,623,000	5,746,000	7,929,480
Kentucky	31,430,900	17,604,000	24,218,520
Louisiana	14,750,900	13,079,000	18,049,020
Maine	22,549,000	4,791,000	6,611,580
Maryland	6,417,600	5,985,000	8,259,300
Massachusetts	14,601,500	6,665,000	9,197,700
Michigan	20,269,000	20,516,000	28,237,080
Minnesota	19,473,600	9,499,000	13,108,620
Mississippi	9,320,700	15,414,000	21,271,320
Missouri	13,534,700	12,472,000	17,211,360
Montana	734,650	2,948,000	4,068,240
Nebraska	4,046,900	4,314,000	5,953,320
Nevada	1,066,200	797,000	1,099,860
New Hampshire	1,041,800	3,014,000	4,159,320
New Jersey	15,577,800	5,771,000	7,963,980
New Mexico	2,793,100	3,416,000	4,714,080
New York	36,841,700	22,553,000	31,123,140
North Carolina	27,489,000	26,352,000	36,290,760
North Dakota	2,364,900	2,703,000	3,730,140
Ohio	20,025,000	21,287,000	29,301,060
Oklahoma	4,004,800	8,152,000	11,249,760
Oregon	7,918,800	6,445,000	8,894,100
Pennsylvania	37,712,000	26,933,000	37,167,540
Rhode Island	1,000,000	906,000	1,250,280
South Carolina	25,079,000	12,921,000	17,830,980
South Dakota	3,435,100	3,358,000	4,634,040
Tennessee	18,323,500	16,996,000	23,454,480
Texas	24,757,800	25,195,000	34,694,100
Utah	612,600	1,699,000	2,344,620
Vermont	14,398,000	2,594,000	3,579,720
Virginia	15,618,800	13,972,000	19,281,360
Washington	8,450,730	7,972,000	11,001,360
West Virginia	12,656,000	10,694,000	14,757,720
Wisconsin	9,753,800	11,434,000	15,703,920
Wyoming	--	1,160,000	1,600,800
Puerto Rico	5,646,000	27,093,000	37,313,340
Trust Territories	--	570,000	786,600
Virgin Islands	--	570,000	786,600
Regions Reserve	--	27,000,000	37,260,000
Natl. Ofc. Reserve	--	60,000,000	82,800,000
Undistributed	--	35,500,000 a/	48,990,000
Total Avail./Est...	600,000,000	635,500,000 b/	876,390,000 c/

a/ Authorized $35,500,000 by the Emergency Supplemental Appropriation Act P. L. 102-368, dated September 23, 1992, to provide assistance to distressed communities as a result of natural disasters, available through September 30, 1993.
b/ Excludes Stimulus Proposal.
c/ Includes Investment Proposal.

Rural Development Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 and Estimated 1993 and 1994

Rural Development Insurance Fund
Water and Waste Disposal Loan Program - Guaranteed

	1992 Amount	1993 Amount	1994 Amount
Arkansas...........	55,000	--	--
California.........	88,100	--	--
Iowa...............	137,000	--	--
Kentucky...........	8,900	--	--
Louisiana..........	186,000	--	--
Mississippi........	3,000,000	--	--
North Carolina.....	110,000	--	--
Tennessee..........	750,000	--	--
Texas..............	60,000	--	--
Washington.........	215,000	--	--
Total Avail./Est...	4,610,000	35,000,000 a/	35,945,000 a/

a/ Cannot be distributed by geographic area in advance.

Rural Development Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 and Estimated 1993 and 1994

Rural Development Insurance Fund
Community Facility Loan Program - Direct

	1992 Amount	1993 Amount	1994 Amount
Alabama	2,428,000	2,454,000	9,546,060
Alaska	57,000	328,000	1,327,170
Arizona	--	573,000	2,280,220
Arkansas	1,390,000	1,787,000	6,951,430
California	4,205,000	2,571,000	10,001,190
Colorado	814,500	669,000	2,653,660
Connecticut	2,672,900	738,000	2,870,820
Delaware	250,000	328,000	1,275,920
Florida	2,984,700	2,043,000	7,947,270
Georgia	2,240,700	3,090,000	12,020,100
Hawaii	--	328,000	1,327,170
Idaho	361,900	573,000	2,228,970
Illinois	2,132,400	2,448,000	9,522,720
Indiana	1,834,100	2,311,000	8,989,790
Iowa	1,461,500	1,393,000	5,418,770
Kansas	1,247,600	941,000	3,660,490
Kentucky	3,972,000	2,884,000	11,218,760
Louisiana	2,545,700	2,142,000	8,332,380
Maine	6,457,000	785,000	3,053,650
Maryland	1,064,700	980,000	3,812,200
Massachusetts	2,399,000	1,092,000	4,247,880
Michigan	5,784,940	3,361,000	13,074,290
Minnesota	2,253,950	1,556,000	6,052,840
Mississippi	2,391,700	2,525,000	9,822,250
Missouri	2,527,700	2,043,000	7,947,270
Montana	--	483,000	1,878,870
Nebraska	1,035,000	707,000	2,750,230
Nevada	150,000	328,000	1,327,170
New Hampshire	1,556,640	494,000	1,921,660
New Jersey	1,588,400	945,000	3,676,050
New Mexico		559,000	2,174,510
New York	4,354,700	3,694,000	14,369,660
North Carolina	4,201,000	4,317,000	16,793,130
North Dakota	--	443,000	1,723,270
Ohio	4,647,500	3,487,000	13,564,430
Oklahoma	--	1,335,000	5,193,150
Oregon	1,600,000	1,056,000	4,107,840
Pennsylvania	2,985,500	4,409,000	17,151,010
Rhode Island	600,000	328,000	1,327,170
South Carolina	2,307,900	2,116,000	8,231,240
South Dakota	2,066,300	550,000	2,139,500
Tennessee	3,053,000	2,784,000	10,829,760
Texas	1,887,500	4,127,000	16,054,030
Utah	--	328,000	1,327,170
Vermont	1,539,000	425,000	1,653,250
Virginia	3,609,070	2,289,000	8,904,210
Washington	2,420,000	1,306,000	5,080,340
West Virginia	1,957,500	1,752,000	6,815,280
Wisconsin		1,873,000	7,285,970
Wyoming	--	328,000	1,327,170
Puerto Rico	4,964,000	4,438,000	17,263,820
Virgin Islands	--	328,000	1,275,920
Trust Territories	--	328,000	1,275,920
Regions Reserve	--	4,500,000	17,505,000
Natl. Ofc. Reserve	--	10,000,000	38,900,000
Total Avail./Est...	100,000,000	100,000,000	389,410,000 a/

a/ Includes Investment Proposal.

Rural Development Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 and Estimated 1993 and 1994

Rural Development Insurance Fund
Community Facility Loan Program - Guaranteed

	1992 Amount	1993 Amount	1994 Amount
Alabama	--	2,320,000	1,740,000
Alaska	--	665,000	498,750
Arizona	--	665,000	498,750
Arkansas	--	1,689,000	1,266,750
California	577,500	2,431,000	1,823,250
Colorado	--	665,000	498,750
Connecticut	--	697,000	522,750
Delaware	--	665,000	498,750
Florida	386,000	1,932,000	1,449,000
Georgia	--	2,921,000	2,190,750
Hawaii	--	665,000	498,750
Idaho	--	665,000	498,750
Illinois	--	2,314,000	1,735,500
Indiana	--	2,185,000	1,638,750
Iowa	40,000	1,317,000	987,750
Kansas	--	890,000	667,500
Kentucky	260,000	2,726,000	2,044,500
Louisiana	100,000	2,025,000	1,518,750
Maine	559,200	742,000	556,500
Maryland	1,810,160	927,000	695,250
Massachusetts	4,400,000	1,032,000	774,000
Michigan	2,250,000	3,177,000	2,382,750
Minnesota	950,000	1,471,000	1,103,250
Mississippi	--	2,387,000	1,790,250
Missouri	1,625,000	1,931,000	1,448,250
Montana	--	665,000	498,750
Nebraska	1,633,000	668,000	501,000
Nevada	--	665,000	498,750
New Hampshire	3,208,560	665,000	498,750
New Jersey	--	894,000	670,500
New Mexico	56,180	665,000	498,750
New York	4,600,000	3,492,000	2,619,000
North Carolina	--	4,081,000	3,060,750
North Dakota	--	665,000	498,750
Ohio	500,000	3,296,000	2,472,000
Oklahoma	--	1,262,000	946,500
Oregon	300,000	998,000	748,500
Pennsylvania	--	4,170,000	3,127,500
Rhode Island	--	665,000	498,750
South Carolina	80,900	2,001,000	1,500,750
South Dakota	31,000	665,000	498,750
Tennessee	--	2,632,000	1,974,000
Texas	384,500	3,902,000	2,926,500
Utah	--	665,000	498,750
Vermont	63,000	665,000	498,750
Virginia	--	2,164,000	1,623,000
Washington	--	1,234,000	925,500
West Virginia	375,000	1,656,000	1,242,000
Wisconsin	810,000	1,771,000	1,328,250
Wyoming	--	665,000	498,750
Puerto Rico	--	4,195,000	3,146,250
Trust Territories	--	665,000	498,750
Virgin Islands	--	665,000	498,750
Regions Reserve	--	4,500,000	3,375,000
Natl. Ofc.Reserve	--	10,000,000	7,500,000
Total Avail./Est...	25,000,000	100,000,000	75,000,000 a/

a/ Includes Investment Proposal.

Rural Development Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 and Estimated 1993 and 1994

Rural Development Insurance Fund
Business and Industrial Development Loan Program - Guaranteed

	1992 Amount	1993 Amount	1994 Amount
Alabama............	--	2,464,000	1,823,000
Alaska.............	--	475,000	352,000
Arizona............	1,373,000	667,000	494,000
Arkansas...........	1,500,000	1,805,000	1,336,000
California.........	1,686,300	2,654,000	1,964,000
Colorado...........	425,000	618,000	457,000
Connecticut........	500,000	610,000	451,000
Delaware...........	--	475,000	352,000
Florida............	2,000,000	2,794,000	2,068,000
Georgia............	7,540,440	2,851,000	2,110,000
Hawaii.............	--	475,000	352,000
Idaho..............	--	577,000	427,000
Illinois...........	4,400,000	2,942,000	2,177,000
Indiana............	--	2,530,000	1,872,000
Iowa...............	--	1,319,000	976,000
Kansas.............	650,000	791,000	585,000
Kentucky...........	2,675,000	3,082,000	2,281,000
Louisiana..........	3,710,700	2,307,000	1,707,000
Maine..............	11,522,500	808,000	598,000
Maryland...........	--	874,000	647,000
Massachusetts......	2,750,000	849,000	628,000
Michigan...........	7,492,000	3,346,000	2,476,000
Minnesota..........	3,234,000	1,656,000	1,225,000
Mississippi........	1,108,000	2,505,000	1,854,000
Missouri...........	1,224,500	1,970,000	1,458,000
Montana............	--	527,000	390,000
Nebraska...........	2,726,000	585,000	433,000
Nevada.............	--	475,000	352,000
New Hampshire......	4,650,000	475,000	352,000
New Jersey.........	--	1,203,000	890,000
New Mexico.........	--	651,000	482,000
New York...........	1,810,000	3,362,000	2,488,000
North Carolina.....	2,934,750	4,112,000	3,043,000
North Dakota.......	3,497,550	475,000	352,000
Ohio...............	1,725,000	3,337,000	2,469,000
Oklahoma...........	--	1,475,000	1,092,000
Oregon.............	--	1,137,000	841,000
Pennsylvania.......	920,000	4,137,000	3,061,000
Rhode Island.......	--	475,000	352,000
South Carolina.....	2,619,000	1,994,000	1,476,000
South Dakota.......	1,150,000	475,000	352,000
Tennessee..........	3,770,000	2,818,000	2,085,000
Texas..............	2,755,000	3,675,000	2,720,000
Utah...............	--	475,000	352,000
Vermont............	--	475,000	352,000
Virginia...........	820,000	1,994,000	1,476,000
Washington.........	4,950,000	1,549,000	1,146,000
West Virginia......	7,021,000	1,945,000	1,439,000
Wisconsin..........	1,354,600	1,895,000	1,402,000
Wyoming............	1,999,500	558,000	413,000
Puerto Rico........	1,500,000	2,909,000	2,153,000
Trust Territories..	--	475,000	352,000
Virgin Islands.....	--	475,000	352,000
Reserve............	--	14,418,000	10,963,000
Undistributed......	--	305,000,000 a/	225,700,000
Total Avail./Est...	99,993,840	405,000,000	300,000,000 b/

a/ Authorized 305,000,000 by the Emergency Supplemental Appropriation Act, P. L. 102-368, dated September 23, 1992, to provide assistance to distressed communities as a result of natural disasters, available through September 30, 1993.

b/ Includes Investment Proposal.

RURAL DEVELOPMENT ADMINISTRATION

The 1994 Budget Estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

<u>Rural Development Loan Fund Program Account</u>:

For the cost of direct loans [$18,616,000] <u>$19,119,000</u>, as authorized by the Rural Development Loan Fund (42 U.S.C. 9812(a)): Provided, That such cost, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974: <u>Provided further, That such sums are to remain available through fiscal year 2001 for the disbursement of loans obligated in fiscal year 1994:</u> Provided further, That these funds are available to subsidize gross obligations for the principal amount of direct loans of not to exceed [$32,500,000] <u>$34,141,000</u>.

In addition, for administrative expenses necessary to carry out the direct loan programs, [$529,000] <u>$2,507,000</u>.

<u>Rural Development Loan Fund Program Account</u>
(On basis of loan level, subsidy, and administrative expenses)

	Loan Level	Subsidy	Administrative Expenses
Appropriations Act, 1993	$32,500,000	$18,616,000	$529,000
Budget Estimate, 1994	34,141,000	19,119,000	2,507,000
Increase in Appropriation	1,641,000	503,000	1,978,000

PROJECT STATEMENT

On basis of appropriated loan levels, subsidies, and administrative expenses

(In thousands of dollars)

Item of change	1992 Actual		1993 Appropriations		Increase or Decrease		1994 Estimated	
	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy
Intermediary Relending Program:								
Direct loans	$32,500	$16,164	$32,500	$18,616	$1,641 (1)	$503 (2)	$34,141	$19,119
Total:								
Direct Loans and Subsidies	$32,500	$16,164	$32,500	$18,616	$1,641	$503	$34,141	$19,119
1992 Supplemental Act Carryover	0	0	15,500	8,104	-15,500	-8,104	0	0
Investment Proposal	0	0	0	0	140,446	78,650	140,446	78,650
Total President's Budget	$32,500	$16,164	$48,000	$26,720	$126,587	$71,049	$174,587	$97,769
Administrative expenses a/	689	0	529	0	1,978 (3)	0	2,507	0

Staff-years are reflected in the Salaries and Expense Project Statement.

a/ The FY 1992 estimate of administrative expense is not comparable to the FY 1993 and FY 1994 estimates. In FY 1992, the entire $689,000 was transferred to FmHA Salaries and Expenses. Of the $529,000 administrative expenses in FY 1993 and $2,507,000 in FY 1994, $524,000 and $2,502,000 will be respectively obligated for RDA Salaries and Expenses and $5,000 will be for obligations of program-related nonrecoverable cost.

PROJECT STATEMENT
(On basis of 1993 loan levels and subsidies supportable
under the 1993 Appropriations Act)
(In thousands of dollars)

Item of change	1993 Appropriated		Increase or Decrease		1993 Current Estimate	
	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy
Intermediary Relending Program:						
Direct loans	$32,500	$18,616	$0	$-140	$32,500	$18,476
Total:						
Direct loans and subsidies	$32,500	$18,616	$0	$-140	$32,500	$18,476
1992 Supplemental Act Carryover	15,500	8,104	-1,245	0	14,255	8,104
Total President's Budget	48,000	26,720	-1,245	-140	46,755	26,580

Staff-years are reflected in the Salaries and Expense Project Statement.

Note: Loan levels are reduced because the subsidy rate has increased and cannot support the appropriated loan level. Subsidy amounts are reduced because the subsidy rate has decreased and the appropriated loan level does not require the entire appropriated subsidy.

EXPLANATION OF PROGRAM

As required by Title XIII, section 13201, of the Omnibus Budget Reconciliation Act of 1990, this account records the subsidy costs associated with the direct loan obligations of this program in FY 1992 and beyond. Subsidy amounts are obtained by estimating the net present value of the Government's cash flows resulting from direct loans made through this account. For the requested FY 1994 loan level of $34,141,000, the associated lifetime subsidy is estimated to be $19,119,000. Corresponding administrative expenses and staff-years are justified in the Salaries and Expenses Project Statement.

Loans will be made to intermediary borrowers (i.e. small investment groups) who in turn will relend the funds to rural businesses, community development corporations, private nonprofit organizations, etc. for the purpose of improving business, industry, community facilities, and employment opportunities and diversification of the economy in rural areas.

JUSTIFICATION OF INCREASE

(1) An increase of $1,641,000 in the intermediary relending program loan level ($32,500,000 available in FY 1993).

Need for Change. The increased program level will aid in the support of the Rural Development Initiative.

Nature of Change. The program level will provide 36 loans to intermediary relenders in FY 1994, which is the same as in FY 1993.

(2) An increase of $503,000 in the rural development direct loan subsidy ($18,616,000 available in FY 1993).

Need for Change. This estimated subsidy amount is necessary to support the direct loan obligations associated with the requested FY 1994 loan level, under the provisions of the Omnibus Budget Reconciliation Act of 1990.

(3) An increase of $1,978,000 in administrative expenses ($529,000 available in FY 1993).

Justification for administrative expenses in the amount of $1,523,000 and the associated staff-years are reflected in the Salaries and Expenses Project Statement, since that amount will be transferred to the Salaries and Expenses Account. The balance of $5,000 will be retained by the program account for obligation of program related, nonrecoverable costs.

Rural Development Loan Fund Program Account
Summary of Investment Proposal

SUMMARY OF INCREASE - INVESTMENT PROPOSAL
(Dollars in thousands)

	FY 1994					
	Base Request		Investment Proposal		Total Request	
Item of Change	Program	Subsidy	Program	Subsidy	Program	Subsidy
Intermediary relending program direct loans..	$34,141	$19,119	$140,446	$78,650	$174,587	$97,769

Explanation of Investment Proposal

The additional funding would provide increased assistance to rural businesses. These funds would be used to develop small businesses. This increased funding will assist rural business in securing start-up capital and financing for expansion, creating jobs and helping to diversify the rural economy. The increased funding will provide for an additional 147 loans.

Proposed Language

In addition to amounts already available under this heading, and subject to the same terms and conditions, for the cost of direct loans $78,650,000, as authorized by the Rural Development Loan Fund: Provided, That such cost, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974: Provided further, That such sums are to remain available through fiscal year 2001 for disbursement of loans obligated in fiscal year 1994: Provided further, That these funds are available to subsidize gross obligations for the principal amount of direct loans of not to exceed $140,446,000.

Justification of Investment Proposal

This language supports the Administration's effort to provide economic stimulus through investment in improving the national infrastructure.

Rural Development Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 and Estimated 1993 and 1994

Rural Development Loan Fund
Intermediary Relending Program Loans

	1992 Amount	1993 Amount	1994 Amount
California.........	2,400,000	--	--
Georgia............	2,000,000	--	--
Idaho..............	500,000	--	--
Illinois...........	2,000,000	--	--
Iowa...............	1,000,000	--	--
Kansas.............	1,250,000	--	--
Kentucky...........	750,000	--	--
Maine..............	1,940,000	--	--
Maryland...........	2,540,000	--	--
Massachusetts......	1,000,000	--	--
Minnesota..........	1,300,000	--	--
Nevada.............	1,000,000	--	--
New Mexico.........	200,000	--	--
New York...........	500,000	--	--
North Carolina.....	3,200,000	--	--
Oklahoma...........	500,000	--	--
Pennsylvania.......	1,500,000	--	--
South Carolina.....	2,575,000	--	--
South Dakota.......	1,000,000	--	--
Tennessee..........	3,845,000	--	--
Washington........	1,500,000	--	--
Total Avail./Est...	32,500,000	48,000,000 a/ b/	180,373,000 a/ c/

a/ Cannot be distributed by geographic area in advance.

b/ Includes $15,500,000 authorized by the Dire Emergency Supplemental Appropriation Act, P.L. 102-368, dated September 23, 992, to provide assistance to distressed communities as a result of natural disasters.

c/ Includes Investment Proposal.

RURAL DEVELOPMENT ADMINISTRATION

The 1994 Budget Estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Water and Waste Disposal Grants:

> For grants pursuant to section[s] 306(a)(2) [and 306(a)(6)] of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1926), [$390,000,000] $400,530,000, to remain available until expended, pursuant to section 306(d) of the above Act: Provided, That of this amount, $25,000,000 shall be available for water and waste disposal systems to benefit the Colonias along the U.S./Mexican border, including grants pursuant to section 306C: Provided further, That, with the exception of the foregoing $25,000,000, these funds shall not be used for any purpose not specified in section 306(a) of the Consolidated Farm and Rural Development Act.

This change eliminates the language for planning grants which have not been administered for several years.

Rural Water and Waste Disposal Grants

Appropriations Act, 1993	$390,000,000
Budget Request, 1994	400,530,000
Increase in Appropriation	10,530,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1992 Actual	1993 Estimated	Increase or Decrease	1994 Estimated
Rural water & waste disposal grants:				
Water supply	$198,095,049	$205,605,960	$4,165,098	$209,771,058
Waste disposal	133,855,457	138,930,680	4,596,886	143,527,566
Combination - water & waste disposal	12,682,494	13,163,360	1,557,416	14,720,776
Technical assistance grants	5,367,000	7,300,000	210,600	7,510,600
Water and waste grants for Colonias	0	25,000,000	0	25,000,000
Total Appropriation	$350,000,000	$390,000,000	$10,530,000 (1)	$400,530,000
Economic Stimulus	0	281,767,000	-281,767,000	
Investment proposal	0	0	140,000,000	140,000,000
Total President's Budget	$350,000,000	$671,767,000	$-131,237,000	$540,530,000

The preceding tabulation is based on amounts included in appropriation acts. The following tabulation shows estimated obligations on an available funds basis, including balances brought forward from prior years.

PROJECT STATEMENT
(On basis of obligations under available funds)

Project	1992 Estimated	1993 Estimated	Increase or Decrease	1994 Estimated
Rural water & waste disposal grants:				
Water supply	$200,559,830	$221,954,514	$-12,183,456	$209,771,058
Waste disposal	135,541,670	149,977,616	-6,450,050	143,527,566
Combination - water & waste disposal	12,837,800	14,210,032	510,744	14,720,776
Technical assistance grants	5,367,000	7,300,000	210,600	7,510,600
Water and waste grants for Colonias	0	25,000,000	0	25,000,000
Total Obligations	$354,306,300	$418,442,162	$-17,912,162	$400,530,000
Recovery of prior year obligations	-6,548,193	0	0	0
Unobligated balance available, start of year	-600,269	-28,442,162	28,442,162	0
Unobligated balance available, end of year	28,442,162	0	0	0
Total adjusted appropriation	$375,600,000	$390,000,000	$10,530,000	$400,530,000
Economic Stimulus	0	281,767,000	-281,767,000	0
Investment proposal	0	0	140,000,000	140,000,000
Total President's Budget	$375,600,000	$671,767,000	$-131,237,000	$540,530,000

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

Section 306 of the Consolidated Farm and Rural Development Act, as amended, provides appropriation authority for grants for the development costs of water and waste disposal projects in rural areas.

Development grants may be made to associations, including corporations operating on a nonprofit basis, municipalities, authorities, districts, certain Indian tribes, and similar organizations generally designated as public or quasi-public agencies, that propose projects for development of storage, treatment, purification, or distribution of domestic water or the collection, treatment, or disposal of waste in rural areas. Grants may be made to assist eligible applicants to pay for part of the development cost of such projects if necessary to reduce user charges to a reasonable level. In addition, grants may be made to private nonprofit organizations that have experience in providing technical assistance and training for such purposes as assisting in identifying and evaluating alternative solutions to problems relating to water and waste disposal, preparing applications, and improving operation and maintenance practices at existing plants. Combined loans and grants may be made when the applicant is able to repay part, but not all, of the project costs.

Grants also may be made to supplement other funds borrowed or furnished by applicants to pay development costs. An eligible project must serve a rural area which is not likely to decline in population below that for which the project was designed, and it must be designed and constructed so that adequate capacity will be or can be made available to serve the reasonably foreseeable growth needs of the area.

Water and waste disposal grants may not exceed 75 percent of the development cost of the project. The development cost may include the cost of construction of the proposed facility including rights-of-way, land rights, water rights, engineering fees, and legal fees.

JUSTIFICATION OF DECREASE

(1) An increase of $10,530,000 for rural water and waste disposal grants ($390,000,000 available in FY 1993).

Need for Change. Drinking water and sewage treatment systems serving small, mostly rural populations currently have the highest rates of noncompliance with Federal environmental standards and Safe Drinking Water Act standards. The increased funding will help bring small rural communities into regulatory compliance, improve the rural infrastructure and increase economic development, and improve the quality of rural life and increase employment opportunities in rural areas.

Nature of Change. The requested funding will provide for 693 grants.

Rural Water and Waste Disposal Grants
Summary of Economic Stimulus Proposal

SUMMARY OF INCREASE - ECONOMIC STIMULUS PROPOSAL
(Dollars in thousands)

Item of Change	FY 1993 Current Estimate	FY 1993 Economic Stimulus Proposal	FY 1993 Total Proposal
Rural water and waste disposal grants.......	$418,442	$281,767	$700,209

EXPLANATION OF ECONOMIC STIMULUS PROPOSAL

This supplemental request would provide $281.8 million in water and sewer grant authority to the Rural Development Administration to meet water and waste water needs in rural America. The increased funding will provide funding for 493 grants.

PROPOSED LANGUAGE

For an additional amount for "Rural water and waste disposal grants", $281,767,000, to remain available until the end of Fiscal year 1993.

Rural Water and Waste Disposal Grants
Summary of Investment Proposal

SUMMARY OF INCREASE - INVESTMENT PROPOSAL
(Dollars in thousands)

Item of Change	FY 1994 Base Request	FY 1994 Investment Proposal	FY 1994 Total Request
Rural water and waste disposal grants........	$393,019	$138,600	$531,619
Technical assistance grants.................	7,511	1,400	$8,911
Total Budget	$400,530	$140,000	$540,530

Explanation of Investment Proposal

The additional funding would provide increased assistance to rural communities to meet compliance with Federal water and waste environmental standards. This increased funding will improve rural infrastructure, promote rural economic development, enhance the quality of rural life, and increase employment opportunities in rural areas. The increased funding will provide for an additional 242 grants.

Proposed Language

In addition to amounts already available under this heading, and subject to the same terms and conditions, for grants pursuant to section 306(a)(2) of the Consolidated Farm and Rural Development Act, as amended $140,000,000, to remain available until expended, pursuant to section 306(d) of the above Act: Provided, That these funds shall not be used for any purpose not specified in section 306(a) of the Consolidated Farm and Rural Development Act.

Justification of Language Proposal

This language supports the Administration's efforts to provide economic stimulus through investment in improving the national infrastructure.

Rural Development Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 and Estimated 1993 and 1994

Rural Water and Waste Disposal Grant Program

	1992 Amount	1993 Amount		1994 Amount
Alabama............	8,755,600	7,957,000		10,980,660
Alaska.............	1,900,000	618,000		852,840
Arizona............	4,023,300	2,092,000		2,886,960
Arkansas...........	8,058,700	6,519,000		8,996,220
California.........	9,862,910	9,381,000		12,945,780
Colorado...........	2,915,200	2,442,000		3,369,960
Connecticut........	3,408,200	2,691,000		3,713,580
Delaware...........	641,500	815,000		1,124,700
Florida............	8,172,700	7,454,000		10,286,520
Georgia............	9,671,700	11,274,000		15,316,124
Hawaii.............	--	563,000		776,940
Idaho..............	1,603,400	2,089,000		2,882,820
Illinois...........	9,034,870	8,931,000		12,324,780
Indiana............	8,526,900	8,430,000		11,633,400
Iowa...............	6,172,100	5,084,000		7,015,920
Kansas.............	7,160,000	3,434,000		4,738,920
Kentucky...........	13,217,400	10,520,000		14,275,604
Louisiana..........	7,905,000	7,816,000		10,786,080
Maine..............	10,284,000	2,863,000		3,950,940
Maryland...........	3,618,000	3,577,000		4,936,260
Massachusetts......	3,673,500	3,983,000		5,496,540
Michigan...........	11,987,800	12,260,000		16,676,804
Minnesota..........	12,302,900	5,676,000		7,832,880
Mississippi........	9,312,800	9,211,000		12,711,180
Missouri...........	7,565,300	7,453,000		10,285,140
Montana............	870,720	1,762,000		2,431,560
Nebraska...........	2,607,000	2,578,000		3,557,640
Nevada.............	1,713,800	476,000		656,880
New Hampshire......	1,066,000	1,801,000		2,485,380
New Jersey.........	6,335,000	3,449,000		4,759,620
New Mexico.........	2,550,600	2,041,000		2,816,580
New York...........	16,503,100	13,478,000		18,357,644
North Carolina.....	15,988,200	15,748,000		21,490,244
North Dakota.......	1,634,000	1,615,000		2,228,700
Ohio...............	12,866,000	12,721,000		17,312,984
Oklahoma...........	10,866,900	4,872,000		6,723,360
Oregon.............	4,159,900	3,851,000		5,314,380
Pennsylvania.......	20,079,000	16,095,000		21,969,104
Rhode Island.......	58,900	3,381,000		4,665,780
South Carolina.....	7,809,000	7,721,000		10,654,980
South Dakota.......	2,989,500	2,007,000		2,769,660
Tennessee..........	11,443,500	10,157,000		14,016,660
Texas..............	15,228,000	15,056,000		20,535,284
Utah...............	1,266,500	1,015,000		1,400,700
Vermont............	1,715,000	1,550,000		2,139,000
Virginia...........	9,945,000	8,349,000		11,279,624
Washington.........	4,869,900	4,764,000		6,574,320
West Virginia......	7,089,600	6,390,000		8,818,200
Wisconsin..........	6,429,100	6,833,000		9,429,540
Wyoming............	2,300,000	693,000		956,340
Puerto Rico........	16,148,300	16,190,000		22,100,204
Trust Territories..	--	475,000		655,500
Virgin Islands.....	--	475,000		655,500
Regions Reserve....	--	16,096,000		22,212,480
Natl. Ofc. Reserve.	--	35,770,000		49,362,600
Technical Assistance	--	7,300,000		10,074,000
Undistributed.......	--	25,600,000	a/	35,328,000
Colonias............	--	25,000,000		--
	--			--
Total Avail./Est...	354,306,300	418,442,000	b/	540,530,000

a/ Authorized $25,600,000 by the Dire Emergency Supplemental Appropriation Act, P.L. 102-368, dated September 23, 1992, to provide assistance to distressed communities as a result of natural disasters, available through September 30, 1993.
b/ Excludes Stimulus Proposal.
c/ Includes Investment Proposal.

RURAL DEVELOPMENT ADMINISTRATION

The 1994 Budget Estimates include proposed language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Development Grants:

For grants authorized under section 310B(c) and 310B(j) (7 U.S.C. 1932 of the Consolidated Farm and Rural Development Act to any qualified public or private nonprofit organization, [$20,750,000: Provided, That $500,000 shall be available for grants to qualified nonprofit organizations to provide technical assistance and training for rural communities needing improved passenger transportation systems or facilities in order to promote economic development: Provided further, That $2,000,000 shall be available for grants to statewide private, nonprofit public television systems in predominately rural States to provide information and services on rural economics and agriculture: Provided further, That grants made to or to be made to these television systems during fiscal years 1990 through 1992 under the Consolidated Farm and Rural Development Act shall for all purposes be deemed to have been made pursuant to section 310B(j) of such Act: Provided further, That amounts made available under this heading in fiscal year 1992 shall be available in fiscal year 1993] $21,310,000.

This change eliminates language which unduly restricts the Agency's capability in carrying out rural development initiatives and further deletes language that authorizes carryover of prior year funding. The Agency anticipates obligating all available funds in FY 1993.

Rural Development Grants

Appropriations Act, 1993	$20,750,000
Budget Estimate, 1994	21,310,000
Increase in Appropriation	$ 560,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1992 Actual	1993 Estimated	Increase or Increase	1994 Estimated
Rural development grants:				
Rural business enterprise	$20,750,000	$18,750,000	$2,560,000	$21,310,000
Television demonstration	0	2,000,000	-2,000,000	0
Total appropriation	20,750,000	20,750,000	560,000 (1)	21,310,000
Investment Proposal	0	0	30,000,000	30,000,000
Total President's Budget	20,750,000	20,750,000	30,560,000	51,310,000

Staff-years are reflected on the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

The rural enterprise grant program is authorized under section 310B(c) of the Consolidated Farm and Rural Development Act, as amended. Grants may be made to any qualified public or private nonprofit organization for measures designed to finance and facilitate development of small and emerging business enterprises or the creation, expansion, and operation of rural learning programs that provide educational instruction or job training instruction related to potential employment or job advancement to adult students. Grants are available for: (1) the development, construction or acquisition of land, buildings, plants, equipment, access streets and roads, parking areas, utility extensions, necessary water supply and waste disposal facilities, technical assistance, necessary start up capital, establishment of revolving loan funds, refinancing, services and fees and (2) to qualified nonprofit organizations for the provision of technical assistance and training to rural communities for the purpose of improving passenger transportation services or facilities to include on-site technical assistance to local and regional governments, public transit agencies, and related nonprofit and for-profit organizations in rural areas, the development of training materials, and the provision of necessary training assistance to local officials and agencies in rural areas.

The television demonstration grant program is authorized under section 310B(j) of the Consolidated Farm and Rural Development Act, as amended. Grants may be made to statewide private nonprofit public television systems, whose coverage is predominately rural, for the purpose of demonstrating the effectiveness of such systems in providing information on agriculture and other issues of importance to farmers and other rural areas. Grants may be used for capital equipment, expenditures, start-up and program cost, and other cost necessary to the operation of such demonstrations. Total grants may not exceed $50,000,000.

JUSTIFICATION OF INCREASE

(1) An increase of $560,000 for the rural development grants ($20,750,000 available in FY 1993).

Need for Change. The requested funding is needed to support the Rural Development Initiative for stimulating economic development and job creation in rural areas. These grants are made in small communities and economically distressed areas lacking access to capital.

Nature of Change. The requested funding will provide 142 grants, which is the same as in FY 1993.

Rural Development Grants
Summary of Investment Proposal

SUMMARY OF INCREASE - INVESTMENT PROPOSAL
(Dollars in thousands)

Item of Change	FY 1994 Base Request	FY 1994 Investment Proposal	FY 1994 Total Request
Rural Development Grants	$21,310	$30,000	$51,310

Explanation of Investment Proposal

These grants will increase funding to assist rural business in securing start-up capital and financing for expansion, creating jobs and helping to diversify the rural economy. These investments would provide increased employment opportunities for rural individuals and increased economic development for rural communities. The increased funding will provide for an additional 200 grants.

Proposed Language

In addition to the amounts already available under this heading, and subject to the same terms and conditions, $30,000,000 for grants authorized under section 310B(c) and 310B(j) of the Consolidated Farm and Rural Development Act to any qualified public or private nonprofit organization.

Justification for Investment Proposal

This language supports the Administration's effort to provide economic stimulus through investment in improving the nations infrastructure.

Rural Development Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 and Estimated 1993 and 1994

Rural Development Grants

	1992 Amount	1993 Amount	1994 Amount
Alabama	130,000	--	--
Alaska	77,000	--	--
Arkansas	700,000	--	--
California	416,000	--	--
Colorado	248,400	--	--
Connecticut	119,000	--	--
Florida	400,000	--	--
Georgia	500,000	--	--
Hawaii	250,000	--	--
Idaho	193,000	--	--
Illinois	445,400	--	--
Indiana	374,000	--	--
Iowa	59,480	--	--
Kansas	400,000	--	--
Kentucky	1,617,000	--	--
Louisiana	411,200	--	--
Maine	227,000	--	--
Maryland	695,000	--	--
Massachusetts	177,000	--	--
Michigan	544,000	--	--
Minnesota	352,000	--	--
Mississippi	425,200	--	--
Missouri	331,000	--	--
Montana	235,570	--	--
Nebraska	114,000	--	--
Nevada	21,000	--	--
New Hampshire	75,400	--	--
New Jersey	205,600	--	--
New Mexico	91,000	--	--
New York	718,000	--	--
North Carolina	699,000	--	--
North Dakota	1,685,500	--	--
Ohio	565,000	--	--
Oklahoma	266,800	--	--
Oregon	171,000	--	--
Pennsylvania	1,100,000	--	--
Rhode Island	24,000	--	--
South Carolina	343,000	--	--
South Dakota	105,400	--	--
Tennessee	451,000	--	--
Texas	668,000	--	--
Utah	45,000	--	--
Vermont	1,400,000	--	--
Virginia	391,000	--	--
Washington	800,000	--	--
West Virginia	288,050	--	--
Wisconsin	303,000	--	--
Wyoming	154,000	--	--
Puerto Rico	718,000	--	--
Trust Territories	--	--	--
Virgin Islands	20,000	--	--
Total Avail./Est...	20,750,000	20,750,000 a/	51,310,000 a/ b/

a/ Cannot be distributed by geographic area in advance.

b/ Includes Investment Proposal.

RURAL DEVELOPMENT ADMINISTRATION

The 1994 Budget Estimates include proposed changes in the language of this item as follows (deleted matter enclosed in brackets):

[Alcohol Fuels Credit Guarantee Program Account]:

[For the cost of guaranteed lines of credit available pursuant to an emergency declaration as provided at section 321 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1961), $9,000,000, to remain available until expended, but not beyond fiscal year 2009: Provided, That such costs shall be as defined in section 502 of the Congressional Budget Act of 1974: Provided further, That these funds are available to establish a guaranteed line of credit program level of $30,000,000, to remain available until expended, but not beyond fiscal year 2009, which the Department shall make available for the purpose of purchasing grains or cellulosic materials for the production of alcohol fuels at established cooperative facilities as necessary to meet deliveries under contract: Provided further, That a guarantee fee of one percent shall be paid at the time a guarantee is issued.

In addition, for administrative expenses necessary to carry out the credit guarantee program, $100,000.]

Alcohol Fuels Credit Guarantee Program Account
(On basis of loan level, subsidy, and administrative expenses)

	Loan Level	Subsidy	Administrative
Appropriations Act, 1993	$30,000,000	$9,000,000	$100,000
Budget Estimate, 1994	0	0	0
Increase in Appropriation	-30,000,000	-9,000,000	-100,000

PROJECT STATEMENT
(On basis of loan level, subsidy and administrative expense in the Appropriations Act)
(In thousands of dollars)

Project	1992 Actual	1993 Appropriations	Decrease	1994 Estimated
Alcohol Fuels Credit Guaranteed:				
Guaranteed loans	$0	$30,000	$-30,000 (1)	$0
Guaranteed loan subsidy	0	9,000	-9,000 (2)	0
Administrative expense	0	100	-100 (3)	0

Staff-years are reflected in the Salaries and Expense Project Statement.

PROJECT STATEMENT
(On basis of 1993 loan levels and subsidies supportable
under 1993 Appropriations Act)
(In thousands of dollars)

Project	1993 Appropriated	Decrease	1993 Current Estimate
Total:			
Guaranteed loans	$30,000	$-11,273	$18,727
Guaranteed loan subsidy	9,000	0	9,000

Staff-years are reflected in the Salaries and Expense Project Statement.

EXPLANATION OF PROGRAM

The Alcohol Fuels Credit program provides guarantees, pursuant to an emergency declaration, for lines of credit for the purpose of purchasing grains or cellulosic materials for the production of alcohol fuels at established cooperative facilities as necessary to meet deliveries under contract. The percentage of guarantee is 75 percent. All advances under the line of credit must be made within 2 years of the date of the Contract of Guarantee and the final maturity must be within 3 years of the line of credit agreement.

JUSTIFICATION OF DECREASES

(1) A decrease of $30,000,000 for alcohol fuels credit guarantee loan level ($30,000,000 available in FY 1993).

Need for Change. No additional funds are requested in FY 1994. This program is a guaranteed revolving line of credit available only when a Secretarial disaster designation is issued. The FY 1993 appropriated amount will remain available until expended, but not beyond FY 2009.

Nature of Change. No additional funds are requested in FY 1994.

(2) A decrease of $9,000,000 in the guaranteed loan subsidy ($9,000,000 available in FY 1993).

Need for Change. No additional guaranteed loan level is requested in FY 1994, therefore no guaranteed loan subsidy is needed.

(3) A decrease of $100,000 in administrative expenses ($100,000 available in FY 1993).

Need for Change. Since no guaranteed loan level is requested in FY 1994, no administrative expenses will be needed.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS

Geographic breakdown of estimated obligations of $18,727,000 for fiscal year 1993 cannot be distributed by geographic area in advance.

RURAL DEVELOPMENT ADMINISTRATION

The 1994 Budget Estimates include proposed language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Emergency Community Water Assistance Grants:

For emergency community water assistance grants as authorized under section 306B (7 U.S.C. 1926b) of the Consolidated Farm and Rural Development Act, [$10,000,000] $10,270,000.

Emergency Community Water Assistance Grants

Appropriations Act, 1993	$10,000,000
Budget Estimate, 1994	10,270,000
Increase in Appropriation	270,000

PROJECT STATEMENT
(On basis of adjusted appropriation and on basis of obligations under available funds)

Project	1992 Actual	1993 Estimated	Increase or Decrease	1994 Estimated
Emergency community water assistance grants:				
Section 306A	0	$15,400,000	$-15,400,000	0
Section 306B	$10,000,000	10,000,000	270,000	$10,270,000
Total Obligations	10,000,000	25,400,000	-15,130,000	10,270,000
Unobligated balance available, start of year	0	-15,400,000	15,400,000	0
Unobligated balance available, end of year	15,400,000	0	0	0
Total Appropriation	25,400,000	10,000,000	270,000 (1)	10,270,000

Staff-years are reflected on the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

These grant programs are authorized under Section 306A and 306B of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1926(a)) as amended by Title V of the Disaster Assistance Act of 1989, P.L. 101-82 and the Food, Agriculture, Conservation and Trade Act of 1990, P.L. 101-624. Grants are made to public bodies and private nonprofit organizations serving rural areas for the purpose of construction or extension of waterlines, repairs or maintenance of existing systems, replace equipment, and pay cost to correct emergency situations. Grants made to alleviate a significant decline in quantity or quality of water available from the water supplies of rural residents that occurs within two years of filing an application with FmHA may not exceed $500,000. Grants made for repairs, partial replacement, or significant maintenance on an established system may not exceed $75,000. Section 306A grants are made to assist any rural area or community with a population in excess of 15,000 inhabitants and Section 306B grants in excess of 5,000 inhabitants. Grants in FY 1992 were originally funded at $10,000,000 under section 306B, but the FY 1992 Dire Emergency Supplemental Appropriations Bill added $15,400,000 under section 306A and made them available through FY 1993. New funding in FY 1994 is requested for Section 306B grants only.

Rural Development Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 and Estimated 1993 and 1994

Emergency Community Water Assistance Grants

	1992 Amount	1993 Amount	1994 Amount
Alaska............	200,000	--	--
Arizona...........	798,000	--	--
Arkansas..........	--	--	--
California........	150,000	--	--
Florida...........	885,350	--	--
Georgia...........	72,840	--	--
Idaho.............	70,000	--	--
Illinois..........	801,000	--	--
Iowa..............	500,000	--	--
Kansas............	815,000	--	--
Kentucky..........	--	--	--
Louisiana.........	93,000	--	--
Maine.............	--	--	--
Maryland..........	75,000	--	--
Minnesota.........	265,000	--	--
Mississippi.......	--	--	--
Missouri..........	2,174,500	--	--
Nebraska..........	--	--	--
Nevada............	--	--	--
New Hampshire......	117,250	--	--
New Mexico.........	--	--	--
New York..........	661,500	--	--
North Dakota.......	--	--	--
Ohio..............	293,000	--	--
Oklahoma..........	--	--	--
Pennsylvania.......	102,650	--	--
South Carolina.....	--	--	--
South Dakota.......	351,600	--	--
Texas.............	723,800	--	--
Utah..............	326,500	--	--
Vermont...........	--	--	--
Virginia..........	75,000	--	--
Washington.........	161,000	--	--
Wisconsin.........	288,000	--	--
Reserve...........	10	--	--
Total Avail./Est....	10,000,000	25,400,000 a/ b/	10,270,000 a/

a/ Cannot be distributed by geographic area in advance.
b/ Includes 15,400,000 authorized by the Dire Emergency Supplemental Appropriation Act, P.L. 102-368, dated September 23, 1992, to provide assistance to distressed communities as a result of natural disasters, available through Sept 30, 1993.

JUSTIFICATION OF DECREASE

(1) A increase of $270,000 for emergency water community assistance grants ($10,000,000 available in FY 1993).

Need for Change. This additional funding will allow rural communities to improve their water supply infrastructure, which will directly assist rural communities specifically, to meet emergency situations in improving the quality of rural life and increase employment opportunities in rural areas.

Nature of Change. The requested funding will provide for 45 grants, which is the same number as in FY 1993.

RURAL DEVELOPMENT ADMINISTRATION

The 1994 Budget Estimates include proposed language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Solid Waste Management Grants:

> For grants for pollution abatement and control projects authorized under section 310B(b) (7 U.S.C. 1932) of the Consolidated Farm and Rural Development Act, [$3,000,000] $3,081,000: Provided, That such assistance shall include regional technical assistance for improvement of solid waste management.

Solid Waste Management Grants

Appropriations Act, 1993	$3,000,000
Budget Estimate, 1994	3,081,000
Increase in Appropriation	81,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1992 Actual	1993 Estimated	Increase	1994 Estimated
Solid waste management grants	$3,000,000	$3,000,000	$81,000	$3,081,000

Staff-years are reflected on the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This grant program is authorized under Section 310B(b) of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1932). Grants are made to nonprofit organizations to provide technical assistance to local and regional governments for the purpose of reducing or eliminating pollution of water resources and for improving the planning and management of solid waste disposal facilities.

JUSTIFICATION OF INCREASE

A increase of $81,000 for solid waste management grants ($3,000,000 available in FY 1993).

Need for Change. These funds will help rural communities develop more advanced environmental systems and treatment techniques that will yield greater environmental benefits and improve the quality of life in rural areas.

Nature of Change. The requested funding will provide funding for 26 grants, which is the same as in FY 1993.

Rural Development Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 and Estimated 1993 and 1994

Solid Waste Management Grants

	1992 Amount	1993 Amount	1994 Amount
Arkansas...........	200,560	--	--
Colorado...........	200,000	--	--
Georgia............	328,270	--	--
Idaho..............	250.550	--	--
Kentucky...........	18,750	--	--
Maine..............	503,060	--	--
Massachusetts......	257.690	--	--
Michigan...........	80,000	--	--
Mississippi........	75,000	--	--
Missouri...........	118,240	--	--
New Hampshire......	87,880	--	--
New Mexico.........	72,000	--	--
North Dakota.......	330,000	--	--
Oklahoma...........	75.000	--	--
South Carolina.....	20,000	--	--
South Dakota.......	--	--	--
Vermont............	40,000	--	--
Virginia...........	300,000	--	--
Wisconsin..........	43,000	--	--
Total Avail./Est.	3,000,000	3,000,000 a/	3,081,000 a/

a/ Cannot be distributed in advance.

RURAL DEVELOPMENT ADMINISTRATION

The 1994 Budget Estimates include proposed language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Community Fire Protection Grants:

For grants pursuant to section 7 of the Cooperative Forestry Assistance Act of 1978 (Public Law 95-313), [$3,500,000] $3,595,000 to fund up to 50 per centum of the cost of organizing, training, and equipping rural volunteer fire departments.

Rural Community Fire Protection Grants

Appropriations Act, 1993	$3,500,000
Budget Estimate, 1994	3,595,000
Increase in Appropriation	95,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1992 Actual	1993 Estimated	Increase	1994 Estimated
Rural community fire protection grants	$3,362,000	$3,500,000	$95,000	3,595,000
Unobligated balance expiring	138,000	0	0	0
Total Appropriation	3,500,000	3,500,000	95,000 (1)	3,595,000

Staff-years are reflected on the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This assistance was authorized by section 7 of the Cooperative Forestry Assistance Act of 1978 (16 U.S.C. 2106). Grants are made to public bodies to organize, train, and equip local fire-fighting forces, including those of Indian tribes or other native groups, to prevent, control, and suppress fires threatening human lives, crops, livestock, farmsteads or other improvements, pastures, orchards, wildlife, rangeland, woodland, and other resources in rural areas.

JUSTIFICATION OF INCREASE

(1) An increase of $95,000 for rural community fire protection grants ($3,500,000 available in FY 1993).

Need for Change. The funding will provide for increased training of rural fire departments, which will lower insurance cost for rural communities, thereby increasing community development and improving both the quality of rural life and increasing employment opportunities in rural areas.

Nature of Change. The requested funding will provide for 3,507 grants, which is the same as in FY 1993.

RURAL DEVELOPMENT ADMINISTRATION
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 Actual and Estimated 1993 and 1994

Rural Community Fire Grants

	1992 Amount	1993 Amount	1994 Amount
Alabama	54,386	--	--
Alaska	77,000	--	--
Arizona	53,000	--	--
Arkansas	55,510	--	--
California	0	--	--
Colorado	67,000	--	--
Connecticut	25,000	--	--
Delaware	7,850	--	--
Florida	72,589	--	--
Georgia	65,061	--	--
Hawaii	50,000	--	--
Idaho	41,300	--	--
Illinois	132,000	--	--
Indiana	91,000	--	--
Iowa	119,000	--	--
Kansas	119,000	--	--
Kentucky	59,780	--	--
Louisiana	74,724	--	--
Maine	27,000	--	--
Maryland	38,000	--	--
Massachusetts	22,200	--	--
Michigan	97,000	--	--
Minnesota	135,640	--	--
Mississippi	54,386	--	--
Missouri	100,000	--	--
Montana	59,800	--	--
Nebraska	91,000	--	--
Nevada	32,000	--	--
New Hampshire	0	--	--
New Jersey	38,000	--	--
New Mexico	37,000	--	--
New York	82,996	--	--
North Carolina	77,871	--	--
North Dakota	122,100	--	--
Ohio	103,000	--	--
Oklahoma	58,026	--	--
Oregon	56,500	--	--
Pennsylvania	104,000	--	--
Rhode Island	15,500	--	--
South Carolina	50,116	--	--
South Dakota	84,000	--	--
Tennessee	81,915	--	--
Texas	176,050	--	--
Utah	40,000	--	--
Vermont	21,000	--	--
Virginia	53,375	--	--
Washington	58,500	--	--
West Virginia	34,791	--	--
Wisconsin	89,000	--	--
Wyoming	27,000	--	--
Puerto Rico	14,945	--	--
Trust Territories	10,000	--	--
Virgin Islands	14,945	--	--
Other	90,144		
Total, Avail./Est.	3,362,000	3,500,000 1/	3,595,000 1/

1/ Cannot be distributed by geographic area in advance.

WEDNESDAY, MARCH 31, 1993.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

WITNESSES

BRUCE R. WEBER, ACTING ADMINISTRATOR

THOMAS A. VONGARLEM, ACTING DEPUTY ADMINISTRATOR, STATE AND COUNTY OPERATIONS

FLOY E. PAYTON, ACTING DEPUTY ADMINISTRATOR, MANAGEMENT

DAVID C. HALL, DIRECTOR, BUDGET DIVISION

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

Mr. DURBIN. I would like to welcome you to this meeting of the Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies. Today we will hear from the Agricultural Stabilization and Conservation Service. Testifying before us is Bruce Weber, the Acting Administrator; Thomas VonGarlem, the Acting Deputy Administrator; Floy Payton, the Acting Deputy Administrator; David Hall, the Director of the Budget Division, and Steve Dewhurst, the Budget Officer.

Mr. Weber, if you would proceed. We will include your testimony in the record in its entirety, so if at this point you would like to summarize or highlight it we would appreciate it very much.

ASCS OPENING STATEMENT

Mr. WEBER. Thank you, Mr. Chairman, and Members of the Subcommittee. I am pleased to be here today to discuss the Agricultural Stabilization and Conservation Service. Today I want to emphasize at the outset that the Administration is currently formulating the President's fiscal year 1994 budget. And as soon as the President's budget is released, I will be pleased to provide you with the Department's views.

I will begin today by providing a brief overview of the agency, and then will discuss administrative support, conservation programs, and the Commodity Credit Corporation.

ASCS was established in June 1961. It is the successor to prior agencies that had administered farm programs since the 1930's.

ASCS provides service to American producers and the American public through the administration of farm commodity, conservation, emergency, and domestic and international food assistance programs.

Our objectives are two-fold, stabilization and conservation. In our stabilization role, ASCS administers Commodity Credit Corporation programs, which provide producers income support and protect against extreme fluctuations in market prices.

In our conservation role, ASCS carries out a variety of programs to assist producers in applying conservation measures needed to preserve long range productive capacity of our soil and water resources.

ASCS delivers its programs nationwide through a system of State and county offices. State and county ASC committees make decisions on local administration of the various programs entrusted to ASCS that deal directly with the farmer.

The county committees, whose members are elected by local farmers, also provide advice and recommendations regarding program plans and policies. Day-to-day program operations are conducted by employees of the 2,775 county offices.

The direct appropriation for ASCS salaries and expenses for fiscal year 1993 is $712.7 million. Our current estimate of staff years for fiscal year 1993 is 3,349 for Federal offices and 15,476 for counties.

That basically gives you an overview of the agency. I would like now to discuss the array of conservation programs administered by ASCS.

Let us start with the Conservation Reserve Program, known as CRP. CRP's primary objective is to help farmers achieve the environmental benefits of reduced erosion and improved water quality by establishing permanent cover on highly erodible and environmentally sensitive cropland.

Participants enter into contracts in which they agree to take land out of production for ten to fifteen years and install permanent cover. In return, USDA provides annual rental payments and cost sharing assistance for the establishment of this cover.

The overall participation goal for the CRP and WRP combined is 40 to 45 million acres. Presently, the total CRP enrollment is about 36.5 million acres. No signup is being held in 1993, since the 1993 Appropriation Act prohibits this.

The Wetlands Reserve Program is a new program with the 1990 Farm Bill. Its primary objectives are to preserve and restore wetlands, improve wildlife habitat, and protect migratory water fowl.

In fiscal year 1992, funds were provided to operate a pilot program of up to 50,000 acres. The program was implemented in nine pilot States, and 49,888 acres have been accepted. During the signup landowners demonstrated substantial interest in the restoration and protection of agricultural wetlands by submitting bids on 249,000 acres. Congress prohibited additional signups in 1993, and did not provide funding.

The longstanding Agricultural Conservation Program, or ACP, shares with producers the cost of carrying out soil and water conservation and water quality measures on agricultural land. Fiscal year 1993 funding is $194.4 million.

The Emergency Conservation Program, known as ECP, assists producers in rehabilitating farmland damaged by natural disaster and in carrying out emergency water conservation measures during periods of severe drought.

As might be expected, funding needs for this program vary widely from year to year, depending on the occurrence of natural disasters. The fiscal year 1993 appropriation provided for $3 million. However, as you know, special supplemental funding of $27

million was appropriated to help producers recover from the devastation caused by the Hurricanes Andrew and Iniki, and Typhoon Omar last fiscal year.

The full $27 million has been allocated to the four affected States and Guam. It is estimated that these funds will cover about half of the maximum eligible Federal cost share in these areas.

Another important wetlands program is the Water Bank Program. The objectives of this program are to conserve water and preserve and improve habitat for migratory water fowl and other wildlife through long-term agreements with landowners for the protection of wetlands. Funding under this program for fiscal year 1993 was $18.6 million, which will bring about 109,000 acres under agreement.

In an effort to reduce irrigated agriculture's contribution to the salt loading of the upper Colorado River, we also administer the Colorado River Basin Salinity Control Program. This program improves the quality of water delivered downstream to users in the U.S. and Mexico. In fiscal year 1993, the funding was $13.8 million for ongoing projects in Colorado, Utah, Wyoming, and a new project in Nevada.

The Forestry Incentives Program, or FIP, is available to encourage the development, management, and protection of non-industrial, private forest lands. In fiscal year 1993, the funding level is $12.4 million. And it will assist in planting an estimated 107 million trees, as well as providing timberstand improvement on 32,000 acres.

Finally, I would like to briefly discuss the operation of the Commodity Credit Corporation. Farm commodity programs and selected export programs are financed through the Commodity Credit Corporation. The Corporation is managed by a board of directors consisting of seven members in addition to the Secretary.

The members of the board and the Corporation's officers are all officials of USDA. Funds are borrowed by the Corporation from the Treasury to finance CCC programs. The Corporation has the authority to have outstanding Treasury borrowings of up to $30 billion at any time.

Net CCC outlays in fiscal year 1992 were $9.7 billion. Outlays for fiscal year 1993 are currently projected at $17.1 billion. This outlay increase is due to the large 1992 crop year supplies for feed grains, wheat and upland cotton.

Mr. Chairman, this concludes my statement. I will be happy to answer your questions or those of the Subcommittee Members.

[CLERK'S NOTE.—The Acting Administrator's biography appears on page 696. Mr. Weber's written statement appears on pages 699 through 709. The budget justification for the Agricultural Stabilization and Conservation Service, which was received by the Committee on May 10, 1993, appears on pages 710 through 994.]

SWAMPBUSTER

Mr. DURBIN. Thank you, Mr. Weber. Let me ask you a couple of questions. There was a report recently that the Inspector General completed concerning Swampbusters. I believe that the Inspector

General chose three or four counties across the country to determine whether or not the information being provided by farmers was accurate. It was concluded that in a third of the cases it was not, and that USDA had overpaid some $1.2 million over a four or five year period of time because of this inaccurate information. We had testimony yesterday from the Soil Conservation Service. They indicated that this provision was under the joint responsibility of their agency and yours.

Can you tell us what efforts are being made through ASCS for compliance when it comes to the Swampbuster provisions and what your findings have been in terms of any inaccuracies or fraud on the part of producers who are asking for the benefit of those provisions?

Mr. WEBER. Certainly in some cases, we have found that producers have not been honest with us in their certifications. And as a result, payments have been denied to these producers. Over the years, there has been $7.4 million in payments denied to producers.

Mr. DURBIN. Out of a total of how much?

Mr. WEBER. A total of $7.4 million.

Mr. DURBIN. Out of a total of what amount spent?

Mr. WEBER. Out of a total amount spent of about $30 billion, I would suspect.

Mr. DURBIN. So you have denied producers $7.4 million out of $30 billion?

Mr. WEBER. Yes.

Mr. DURBIN. That seems like a very small amount. It either suggests that the OIG coincidentally reviewed several counties where there had been inaccurate data filed, or that the efforts to find these cases has not been as productive as it might be.

Mr. WEBER. We certainly have tried to pursue all of the reports that have come to us from SCS. We depend on them to tell us whether producers are complying with the conservation plans. Once we hear from SCS, then it is up to us to notify the producer of the violations. And then, the producer does have appeal rights and the right to request a waiver.

Mr. DURBIN. So you are suggesting that any action on your part is predicated on notice from SCS?

Mr. WEBER. Yes.

CONSERVATION COMPLIANCE

Mr. DURBIN. All right. Let me ask you about the plans, the conservation compliance plans, that have to be in place for all producers by the end of 1994. What is the role of your agency in determining whether or not a producer has filed an appropriate plan and is following it; and if not, will be disqualified from the program?

Mr. WEBER. Annually, we ask producers to certify as to whether they are following their plans under a 1026 form. And we then expect the Soil Conservation Service to advise us whether these plans are being followed. And if not, then we take appropriate action.

Mr. DURBIN. What is appropriate action?

Mr. WEBER. There may well be denial of payment.

Mr. DURBIN. My understanding is that recent reports suggest that over half the cases that are appealed were lost by your agency. Are you involved in the appeals?

Mr. WEBER. Yes, we are involved.

Mr. DURBIN. Can you explain why the batting average is not a little better?

Mr. WEBER. Of the appeals that I am familiar with, some have been denied but in other cases we felt that circumstances certainly warranted some adjustments.

Mr. DURBIN. I want to make sure that I follow you here.

Once a producer is told that his conservation plan is not in compliance, if he appeals the decision, you then take a look and make a second judgment as to how that plan should be administered or evaluated?

Mr. WEBER. We would take into consideration what the producer tells us as to why he is unable to meet the plan. He also has appeal rights with SCS, if they determine he has violated his plan.

You have two systems working here that are not necessarily in concert all of the time.

Mr. DURBIN. I know that this whole effort is considered voluntary and relies on self-certification, but I wonder if you could give me your impression of the attitude of producers toward the government when it comes to this program. If, under Swampbusters, only $7.4 million is denied producers in a $30 billion program, and under conservation compliance the producer is going to win half the time he appeals to the government to reconsider, what kind of mind set are we encouraging here among farmers and producers who deal with this program and the agencies?

Mr. WEBER. We are certainly trying to encourage a mind set where producers understand that there are conservation compliance rules, and that they must meet a conservation plan. We hope that we are doing a good job in that.

We know that there are some farmers out there that believe that we do not mean what we are saying about these plans having to be in effect by 1995. My understanding is that those farmers are the exception to the rule. The majority of the producers out there are looking at their plans and trying to follow them as best they can.

There are circumstances where they run into problems, but we think that generally they are doing a good job. And we are trying to do a good job of impressing on them that they need to be doing this.

Mr. DURBIN. My concern, and I do not know if it is shared by other Members of this Subcommittee, is that we are going to get into tougher cases as we come up against the deadline.

Mr. WEBER. I do not disagree with you.

Mr. DURBIN. I hope that farmers across the country understand that this is a serious program, and that they cannot game the system because of our lack of surveillance on the information that they are providing, or because we are prepared to basically accede to any request to change if they make it.

I want to work with them and not be combative and confrontational, yet, I think we have to portray this program as serious so that farmers understand that.

Mr. WEBER. I fully agree with you. And when I meet with farmers, I bring this out every time, that this is serious, and that we do mean to have the plans in effect by 1995. I think that we are putting forth an extra effort to make certain that producers are aware of these requirements.

PEANUT PROGRAM

Mr. DURBIN. Let me switch to the peanut program. Did anyone on the panel read the recently issued General Accounting Office study on the peanut program?

Mr. WEBER. Yes, I did.

Mr. DURBIN. There was one finding in there that suggested the Federal government is paying the quota price for peanuts that are processed into peanut butter instead of the market price, and that we could stand to save millions of dollars in our Federal nutrition programs if we could purchase peanuts at the market price instead of the government established quota price. Does anyone on the panel have an opinion as to how the Federal government could reach this approach, which would reduce the cost to our nutrition programs?

Mr. WEBER. As I understand it, it would require a change in the law, because domestically used peanuts have to be purchased at the support rate of near $700 a ton. To do otherwise, as far as I know, would require a change in the law.

Mr. DURBIN. Is that your understanding?

Mr. VONGARLEM. Yes.

Mr. DURBIN. Is there a payment limitation on peanut price support payments?

Mr. WEBER. No, there is not.

Mr. DURBIN. So the limitation, the $50,000 limitation, that other program crops have does not apply to peanuts?

Mr. WEBER. No. It only applies to the eight program crops.

Mr. DURBIN. If I recall correctly, the GAO study found one producer receiving over $5 million in one year, is that correct?

Mr. WEBER. Yes.

Mr. VONGARLEM. But, Mr. Chairman, normally the payment limitation does not limit the amount of loans that are made, but it limits loan deficiency payments and the amount that can be written off by repaying a loan at a level lower than the original loan level. The payment limitation is not an absolute limit on the loan itself.

Mr. DURBIN. Are you saying that applying the same standard to the peanut program would not have the desired impact of reducing payments to any individual producer?

Mr. VONGARLEM. Yes, sir, because we make the loan to a co-op of producers, all of the producers in the area. And then the peanuts are sold out of loan, and the proceeds or profits from the additional peanuts that are sold into domestic use are used to offset losses. So the losses on those peanuts that go into loan are kept to a very small amount, because of the offset of the profits from sale of additional peanuts.

So yes, there was a very large outlay to that producer. But most of that loan was repaid in full by the co-op.

Mr. DURBIN. And in this case, the case of the $5 million project, it would have been a co-op situation?

Mr. VONGARLEM. Oh, yes.

Mr. DURBIN. So there would be many producers.

Mr. VONGARLEM. We have a farm stored loan program available for peanuts, but it is used very minimally, because most of the peanuts are marketed through the three area associations. A farmer really has no outlet except through the trade channel. Most all marketing is through these co-ops.

Mr. DURBIN. Provide a ten year table showing the amount of peanut products purchased for nutrition programs and the amount paid for the purchases. Also, include a third column showing the amount of product that could have been purchased on the open market.

Mr. WEBER. I will submit a table that shows the amount of peanut products purchased for use in the nutrition programs and the amount paid for the purchases. However, since the level of price support for peanuts and the market price are, on average, about the same it is unlikely that there would have been any measurable increase in the quantity of peanuts purchased for use in the nutrition programs if they had been purchased on the open market.

[The information follows:]

TOTAL POUNDS AND VALUE OF PEANUT PRODUCTS PURCHASED FOR USE IN NUTRITION PROGRAMS FROM 1983 THROUGH 1992

Year	Pounds	$ value
1983	35,269,986	24,942,126
1984	30,964,930	25,595,538
1985	29,778,322	21,852,307
1986	30,777,904	22,413,249
1987	38,078,827	33,767,205
1988	40,075,253	30,881,864
1989	92,273,150	75,618,132
1990	124,422,528	103,988,436
1991	13,702,809	12,998,336
1992	95,027,526	82,284,363
Grand total	530,371,235	434,341,556

CONSERVATION RESERVE PROGRAM

Mr. DURBIN. Mr. Weber, do you know if there has been any policy decision made by the Administration on extension of the CRP program?

Mr. WEBER. No, there has not.

Mr. DURBIN. Of the 36.5 million acres currently enrolled in the CRP, how much is planted with a permanent cover crop that would, if left, not require annual maintenance?

Mr. WEBER. CRP provisions do not require participants to annually mow any of the 36.5 million acres under contract. However, during the contract period participants are required to comply with the state noxious weed laws, if any, which in most States means either mowing or spraying timely. After the CRP contract expires,

the permanent cover established by the producers has the potential to remain indefinitely, providing it is not overgrazed, and can continue to serve the purpose for which it was established, namely, to control erosion and enhance other environmental benefits including wildlife habitat.

Over 2.5 million acres are planted to trees. Another 2 million acres are designated as wildlife plantings, which often includes trees, shrubs, and other desirable forbs. Nearly 10 million acres have been established to native grasses, primarily in the Plains States. Areas established to native grasses, if left undisturbed, will revert back to their natural conditions before the land was used for agriculture. Of the remaining 21 million acres planted to tame grass species, some periodic maintenance, not necessarily annually, may need to be performed depending upon the ultimate use to be made of the acreage.

Mr. DURBIN. On page five of your statement, you say that ASCS is making payments on previously enrolled acres of $1.74 billion. The 1993 appropriation for CRP was $1.58 billion. Where is the difference coming from?

Mr. WEBER. Approximately $272 million in program funds was carried over from fiscal year 1992 into fiscal year 1993. These funds, together with the $1.578 billion appropriation for fiscal year 1993, made available a 1993 program level of $1.78 billion.

Mr. DURBIN. Would you provide the Committee with a table showing the carryover unobligated balances for each fiscal year since the program was implemented.

Mr. WEBER. I would be happy to.

[The information follows:]

Conservation Reserve Program—Carryover unobligated balances, fiscal years 1986–92

Fiscal year:	*Carryover balance*
1986	[1] $0
1987	[1] 0
1988	794,282,776
1989	1,149,617,269
1990	647,502,996
1991	320,374,550
1992	272,198,054

[1] Conservation Reserve Program payments were authorized to be made directly from Commodity Credit Corporation funds in fiscal years 1986 and 1987. There was no direct appropriation made for the program in these fiscal years.

Mr. DURBIN. Update the table that appears on page 469 of last year's hearing record showing the number of acres contracted for the Conversation Reserve Program and the total acreage eligible to include the eleventh and twelfth signups.

Mr. WEBER. I will provide that for the record

[The information follows:]

CONSERVATION RESERVE PROGRAM

Acres by State

STATE	CRP ACRES CONTRACTED (SIGNUPS 1-12) 1/	TOTAL ELIGIBLE CROPLAND 2/
TOTAL	36,495,927	422,966,400
Alabama	574,362	4,209,700
Alaska	26,022	125,000
Arizona	0	1,306,300
Arkansas	256,652	8,181,700
California	188,844	10,208,500
Caribbean Area	455	425,800
Colorado	1,980,396	10,967,300
Connecticut	10	238,500
Delaware	996	521,300
Florida	135,100	3,591,600
Georgia	707,953	6,306,600
Hawaii	85	347,500
Idaho	880,884	6,531,700
Illinois	815,343	25,121,100
Indiana	464,922	13,930,300
Iowa	2,234,547	27,030,900
Kansas	2,940,287	29,118,800
Kentucky	453,343	5,817,700
Louisiana	144,743	6,484,200
Maine	38,593	943,300
Maryland	20,807	1,794,500
Massachusetts	32	290,800
Michigan	341,754	9,483,800
Minnesota	1,932,051	22,990,000
Mississippi	828,200	7,078,200
Missouri	1,732,887	15,089,500
Montana	2,863,185	17,880,700
Nebraska	1,427,282	20,600,800
Nevada	3,124	888,500
New Hampshire	0	163,300
New Jersey	723	672,500
New Mexico	483,181	2,296,500
New York	65,348	5,774,100
North Carolina	151,399	6,548,200
North Dakota	3,181,447	28,063,500
Ohio	380,238	12,537,200
Oklahoma	1,193,598	11,557,300
Oregon	531,033	4,347,700
Pennsylvania	101,648	5,774,200
Rhode Island	0	21,700
South Carolina	278,471	3,371,200
South Dakota	2,123,085	17,819,000
Tennessee	477,885	5,764,600
Texas	4,161,942	31,943,800
Utah	234,022	2,001,700
Vermont	193	653,300
Virginia	80,139	3,308,900
Washington	1,050,870	7,758,100
West Virginia	618	1,052,700
Wisconsin	750,005	11,670,500
Wyoming	257,224	2,361,800

1/ For signup 12, includes tentatively accepted acres.

2/ All cropland is eligible for enrollment in the CRP. However, there is a 25 percent enrollment limit per county. Also, any cropland enrolled in the CRP must have a 2- to 5-year cropping history and have the same ownership for 3 years.

Mr. DURBIN. Also, would you update the table that appears on page 471 of last year's hearing record to reflect fiscal year 1992 actuals?

Mr. WEBER. Yes.

[The information follows:]

U.S. DEPARTMENT OF AGRICULTURE, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE, CONSERVATION RESERVE PROGRAM, ACTUAL ENROLLMENT THROUGH FISCAL YEAR 1992 AND ESTIMATED 1993 AND 1994

[Millions of acres]

Crop year	Actual, fiscal year—							Estimated, fiscal year—		Crop year total
	1986	1987	1988	1989	1990	1991	1992	1993	1994	
1986	2.04									2.04
1987	6.19	7.48								13.67
1988		6.44	2.32							8.76
1989			3.66	1.69						5.35
1990				4.10						4.10
1991						.48				0.48
1992						1.00				1.00
1993							1.13			1.13
1994										0.00
1995									1.00	1.00
Total	8.23	13.92	5.98	5.79		1.48	1.13		1.00	37.53
Cumulative, fiscal year	8.23	22.15	28.13	33.92	33.92	35.40	36.53	36.53	37.53	

Note: The law requires that at least 39 million acres be enrolled in CRP by the end of 1995, including acreage already in the CRP. In addition, the law specifies a 1-million-acre minimum enrollment in both calendar years 1994 and 1995.

Mr. DURBIN. What percent of the total enrollment to date is planted to trees?

Mr. WEBER. to date approximately 2.47 million of the 36.5 million acres enrolled—about 6.8 percent—have been planted to trees under the CRP. We have a number of initiatives to encourage tree planting, including allowing up to 15-year contracts for hardwood tree planting, windbreaks, shelterbelts, and alley cropping; requiring 30 percent of wildlife planting to be to trees and shrubs; allowing for the extension of the contract term and additional cost-share assistance to convert grass planted under existing contracts to hardwood trees; and providing additional consideration during the bid selection process for bids with tree cover.

Mr. DURBIN. Last year you provided a list of the 22 national practices authorized in the program, the acres enrolled in each practice, and what percent of enrollment it was. Would you update this list to reflect the eleventh and twelfth signups?

Mr. WEBER. Data on the twelfth signup is not yet available, but I'll submit an update reflecting signup eleven.

[The information follows:]

NATIONAL CRP PRACTICES

Practice	Acres Enrolled, Signups 1-11	Percent of Enrollment
1 CP1, Establishment of Permanent Introduced Grasses and Legumes	20,747,746	58.62
2 CP2, Establishment of Permanent Native Grasses	8,313,219	23.49
3 CP3, Tree Planting 4 CP3A, Hardwood Tree Planting	2,197,689	6.21
5 CP4, Permanent Wildlife Habitat 6 CP4A, Permanent Wildlife Habitat (Corridors)	1,964,982	5.55
7 CP5, Field Windbreak Establishment	7,429	.02
8 CP6, Diversions	83,505	.24
9 CP7, Erosion Control Structures	38,053	.11
10 CP8, Grassed Waterways	15,543	.04
11 CP9, Shallow Water Areas for Wildlife	13,768	.04
12 CP10, Vegetative Cover (Grass - Already Established)	1,903,907	5.38
13 CP11, Vegetative Cover (Trees - Already Established), Signups 1-9	84,793	.24
14 CP12, Wildlife Food Plots	17,062	.05
15 CP13, Vegetative Filter Strips, Signups 1-9 16 CP13A, Vegetative Filter Strips (Grass), Signup 10 17 CP13B, Vegetative Filter Strips (Trees), Signup 10	51,704	.15
18 CP14, Wetland Trees 1/	83,299	.24
19 CP15, Establishment of Permanent Vegetative Cover (Contour Grass Strips)	471	2/
20 CP16, Shelterbelt Establishment	221	2/
21 CP17, Living Snow Fences	26	2/
22 CP18, Establishment of Permanent Vegetation to Reduce Salinity 23 CP18A, Establishment of Permanent Salt Tolerant Vegetative Cover	4,076	.01
24 CP19, Alley Cropping	53	2/

Note: More than one practice can be established on the same field.

1/ No longer available
2/ Less than 0.01 percent

Mr. DURBIN. I see from this list that Practice CP14, Wetland Trees, is no longer available. Would you tell us the reason for this?

Mr. WEBER. Practice CP14 was authorized to be established on eligible wetlands enrolled in the CRP. However, enrollment of wetlands in the CRP was determined to undermine the purposes of the Wetlands Reserve Program and therefore CP14 was eliminated as an eligible practice under CRP.

Mr. DURBIN. Would you provide for the record the same table you provided last year showing the eligibility criteria established for each of the signup periods, only add a third column to include the number of acres signed up during that period?

Mr. WEBER. I would be happy to.

[The information follows:]

CRP SIGNUP PERIODS AND ELIGIBILITY CRITERIA

SIGN-UP NO	DATES	CRITERIA	ACRES CONTRACTED
1	March 3-14, 1986	A and B	753,668
2	May 5-16, 1986	A and B	2,771,660
3	August 4-15, 1986	A, B, and C	4,703,379
4	February 9-27, 1987	A, B, C, and D	9,478,599
5	July 20-31, 1987	A, B, C, and D	4,442,719
6	February 1-19, 1988	A, B, C, D, E, and F	3,375,364
7	July 18-31, 1988	A, B, C, D, E, and F	2,604,901
8	February 6-24, 1989	A, B, C, D, E, F, and G	2,462,382
9	July 17-August 4, 1989	A, B, C, D, E, F, and G	3,329,893
10	March 4-15, 1991	A, B, C, D, E, F, and H	475,175
11	July 8-19, 1991	A, B, C, D, E, F, and H	998,211
12	June 15-26, 1992	A, B, C, D, E, F, and H	1/ 1,099,976

A Land capability class 6 - 8

B Land capability class 2 - 5 with predicted average annual erosion rate of greater than 3T

C Land capability class 2 - 5 with predicted average annual erosion rate of greater than 2T and with gully erosion

D Land with EI greater than 8 and predicted average annual erosion rate of greater than T

E Land for filter strips alongside wetlands, streams, or other water bodies

F Land for tree planting - eligible when 1/3 of field meets criteria A or Class 2 - 5 soil with predicted average annual erosion rate of greater than 2T

G A field on which 1/3 or more shows evidence of scour erosion.
Wetland, as follows:
- cropped wetland of at least 6 acres
- a field of which 1/3 or more is cropped wetland
- a field of 6 to 9 acres on which wetlands are present.

Water Bank contracts entered into after 1982 if they meet any of above requirements.

H Cropland contributing to a water quality problem including fields with evidence of scour erosion and fields in special emphasis watersheds. Cropland having special environmental problems or contributing to significant environmental problems relating to water quality or soil erosion that are made subject to useful life easement. Wetland acres are no longer eligible for CRP.

1/ Acres which have been tentatively accepted during the 12th signup. Total acreage enrolled to date is 36,495,927.

TECHNICAL ASSISTANCE

Mr. DURBIN. During an enrollment process the Soil Conservation Service and the Forest Service are paid for providing technical assistance. In each of the twelve sign-ups, how much was each paid for their services?

Mr. WEBER. I will provide the information for the record.

[The information follows:]

CONSERVATION RESERVE PROGRAM—TECHNICAL ASSISTANCE COSTS, FIRST THROUGH 12TH SIGN-UP

Signup	SCS costs	FS costs	ES costs	Total
1	$838,356	$737,159	$25,420	$1,600,935
2	3,000,681	1,079,000		4,079,681
3	0	1,471,000		1,471,000
4	[1] 10,572,402	3,121,170		13,693,572
5	5,288,694	1,476,766		6,765,460
6	[2] 3,375,367	2,220,921		5,596,288
7	3,434,646	979,172		4,413,818
8	[3] 9,670,983	1,148,885		10,819,868
9	12,651,220	1,233,090		13,884,310
10	[4] 4,136,925	[5] 577,113		4,714,038
11	[6] 5,102,310	448,504		5,550,814
12	7,063,095	1,142,186		8,205,281
Total	65,134,679	15,634,966	25,420	80,795,065

[1] Excludes transfer to SCS of $20 million from CCC provided in the FY 1987 Supplemental Appropriations Act.
[2] Excludes transfer to SCS of $45.24 million from CRP provided in the FY 1988 Appropriations Act.
[3] Excludes transfer to SCS of $61.46 million from CRP provided in the FY 1989 Appropriations Act.
[4] Includes recovery of $384,800 from SCS in FY 1992 for overpayment of SCS technical assistance during the tenth CRP signup.
[5] Includes recovery of $109,816 from FS in FY 1992 for overpayment of FS technical assistance during the tenth CRP signup.
[6] Includes recovery of $318,200 from SCS in FY 1992 for overpayment of SCS technical assistance during the eleventh CRP signup.

Note: Recoveries noted above resulted from differences in preliminary acreage enrollment data versus final acreage enrollment data.

Mr. DURBIN. How much were ASCS administrative costs per sign-up?

Mr. WEBER. I will provide the information for the record.

[The information follows:]

ASCS ADMINISTRATIVE COSTS FOR CRP SIGN-UPS

Fiscal year	Signup number	Total administrative cost
1986	1, 2, and 3	$4,921,240
1987	4 and 5	9,686,301
1988	6 and 7	10,246,509
1989	8 and 9	7,219,082
1990		
1991	10 and 11	6,713,286
1992	12	5,457,261
Total		44,243,680
Average Cost per Signup		3,686,973

Note: ASCS county office administrative workload and related costs for CRP are tracked by fiscal year, not by individual signup. The administrative costs shown reflect only activities associated with accepting CRP signup bid applications. The costs do not include subsequent time spent preparing CRP rental and cost-share assistance payments and related workload.

LOCAL RENTAL RATES

Mr. DURBIN. In 1988 the Committee provided statutory language that prohibits funds from being used to enter into new contracts

that are in excess of the prevailing local rental rates for an acre of comparable land. Specifically, what are you doing to make sure the law is being followed?

Mr. WEBER. The bid selection process for CRP calculates a unique bid cap for each bid based on its environmental and management conditions. A bid cap is calculated for each bid based on the relative soil productivity of the land placed into CRP; the comparable dryland cash rental rate; the anticipated annual maintenance cost; the producer's amortized establishment cost for vegetation; and an inflation adjustment factor. This calculated bid cap ensures that all bids are evaluated in a consistent and equitable manner and that no bid is accepted in excess of local prevailing rental rates for comparable land.

Mr. DURBIN. How do you monitor contract agreements to assure that the rental payment is accurate and the American tax dollars are being spent efficiently?

Mr. WEBER. ASCS internally reviews the validity of all rental payments for approved CRP enrollment bids. As mentioned, only those bids submitted at rates less than the bid caps are considered for enrollment.

To ensure that environmental benefits are maximized for the tax dollars spent, an index of environmental benefits per dollar of Federal expenditures is calculated and used to rank most acceptable bids. When more acceptable acreage is submitted than budgeted only those bids with the highest index values are approved. The environmental component of the index is based on the bid land's estimated impact on surface water quality, groundwater quality, soil productivity, assistance to producers with potential problems implementing conservation compliance plans, tree planting, critical water quality problem areas, and specified conservation priority areas such as the Chesapeake Bay, Great Lakes, and Long Island Sound watersheds. The Federal expenditure component of the index includes the rental and expected cover establishment cost-share payment that will be made if the bid is accepted.

Although the EBI process does not provide a dollar-denominated description of environmental benefits that can be directly compared with costs, efficiency is maintained because the process does provide a basis for comparing the relative environmental benefits per dollar for bids received in a given signup. That way the most cost-effective bids can be enrolled.

Mr. DURBIN. Provide, for the record, a copy of the latest guidelines issued by ASCS that States use when establishing local rental rates.

Mr. WEBER. I will provide the information for the record.

[The information follows:]

LOCAL RENTAL RATES

ASCS at the national level develops individual prevailing local rental rates based on county land value surveys, land productivity data, other cash rental rate surveys and other applicable data bases. The following is the latest directive to ASCS field offices regarding estimates of county-level farm and ranch land values.

Preparing ASCS-326, Input Worksheet for Annual Survey of County Farm or Ranch Land Values

A
Completion Instructions

The reporting County Office shall use the following instructions to complete ASCS-326. The data recorded on this manual form shall be used to record data in the computer according to paragraphs 3 through 9.

Provide an estimate for each land value and rental rate category applicable to the county. If there is not a significant acreage of land in a category located within the county, write "none" using a numeric code of 9999 in the appropriate field.

Circled Number	Completion Instructions
1	Enter the current calendar year.
2	These entries are self-explanatory. Enter data applicable to the reporting County Office.
3	Estimate a County-wide market value per acre for low, average, and high valued farm and ranch land as of February 1, 1992, in each of the listed categories. • The "low" value for each land category represents the typical market value of lands grouped toward the low end of the range of values for farm and ranch land in the reporting County. • The "average" value represents the average market value within the range of farm or ranch land values in the reporting County. • The "high" value represents the typical value for lands valued at the high end of the range. Report the full market value for each category of land, not just the value for agricultural uses. **Example:** Estimates for land near major metropolitan areas may reflect urban influences. **Note:** **Exclude** the value of existing residences, farmstead buildings, and mining facilities.

Preparing ASCS-326, Input Worksheet for Annual Survey of County Farm or Ranch Land Values, *Continued*

A
Completion Instructions,
Continued

Circled Number	Completion Instructions
4	Estimate the agricultural value of average farm or ranch land as a percentage of the full market value of that average land. **Example:** If the current market value of average nonirrigated cropland is $800 per acre because of urban influences, but the value in farming is $640 per acre, then enter 80 percent in this field; that is, 640 divided by 800 equals 0.80 times 100 percent equals 80 percent.
5	If the agricultural value is less than 100 percent for any of the acreage entries in circled number 4, check the principal nonagricultural factor affecting the land values and provide a brief explanation in circled number 13. **Note:** Check only 1 factor.
6	Enter the percentage of cropland in the county that is rented.
7	If any cropland is rented, enter the percentage that is cash rented, share rented, or other. The percentages entered **must** total 100.
8	Enter the percentage of grazing land in the county that is rented. Do not include leasing on public land.
9	If any grazing land is rented, enter any of the following: • percentage that is cash rented; that is, rent that is based on a dollar per acre • percentage that is AUM rented; that is, rent that is based on a dollar per AUM • percentage that is in the "other" category. The percentages entered **must** total 100.

Preparing ASCS-326, Input Worksheet for Annual Survey of County Farm or Ranch Land Values, *Continued*

A
Completion Instructions
Continued

The following apply to circled numbers 10 through 13:

- report the County-wide cash rent expected during the 1992 season for each category of land in the "Cash Rent" column
- if there is not enough cash renting in the County to estimate cash rental rates, convert the value of noncash rental agreements (such as crop-share or share-lease) to a cash basis and report the converted value in the "Equivalent Cash Rent" column.

Note: An entry is not allowed in both the "Cash Rent" and "Equivalent Cash Rent" columns for any individual land category.

Circled Number	Completion Instructions
10	Enter the County-wide cash rent expected for irrigated cropland during the 1992 season. • Irrigated cropland is the acreage of agricultural land to which water was applied artificially by controlled means in the past year. • Include the cost of water in determining the typical per acre cash rent, whether it is included in the cash rent for the acreage, is purchased separately, or requires additional expenditure, such as pumping costs.
11	Enter the County-wide cash rent expected for nonirrigated cropland during the 1992 season.

Continued on the next page

Preparing ASCS-326, Input Worksheet for Annual Survey of County Farm or Ranch Land Values, *Continued*

A
Completion Instructions, *Continued*

Circled Number	Completion Instructions
12	Enter the County-wide cash rent expected for private pasture or grazing land during the 1992 season. Do **not** include rental value for lease of public land. However, the value of the rental rate for private grazing land may reflect the influence of nearby public lands.
13	Enter comments, if appropriate, related to the nonagricultural factors influencing the value or rent of farm or ranch land, and the conversion procedure if an equivalent cash rent was reported for circled number 10, 11, or 12.
14	Check sources consulted in preparing EIP-51R. More than 1 source may be checked.
15	Enter general comments about completing EIP-51R.
16	Enter the amount of time, in minutes, spent in completing EIP-51R. **Note:** Include the time spent in gathering information.

Preparing ASCS-326, Input Worksheet for Annual Survey of County Farm or Ranch Land Values, *Continued*

A Completion Instructions, *Continued*

REPRODUCE LOCALLY *Include form number and date on reproductions*

ASCS-326 (04-28-92)

U.S. DEPARTMENT OF AGRICULTURE
Agricultural Stabilization and Conservation Service

INPUT WORKSHEET FOR ANNUAL SURVEY OF COUNTY FARM OR RANCH LAND VALUES

REPORT NO. EIP-51R

CALENDAR YEAR 1992 (1)

PART A - REPORTING COUNTY

1. Name of county or parish covered by this report: Grundy (2) COUNTY CODE 153 (2)

2. State: Illinois (2) STATE CODE 19

PART B - FARM OR RANCH LAND MARKET VALUES

Provide your best estimate of county-wide full market value per acre LOW, AVERAGE, and HIGH for each of 4 types of farm or ranch land as of February 1, 1992. Market value per acre is the value at which farm or ranch land is selling. INCLUDE the influence of nonagricultural factors such as being near an urban area. EXCLUDE the value of existing residences, farmstead buildings, mining facilities. Also indicate the average agricultural value as a percentage of the average full market value. Indicate the principal nonagricultural influence on farm or ranch land values in item 7. Include any comments concerning the source and significance of nonagricultural influences and the agricultural value as a percentage of full market value in item 15.

	LOW (3)	AVERAGE (3)	HIGH (3)	AGRI. VALUE AS % OF FULL VALUE (4)
3. Irrigated Cropland, typical market value per acre	$ 1,000	$ 1,500	$ 2,000	90 %
4. Nonirrigated Cropland, typical market value per acre	$ 600	$ 800	$ 1,000	80 %
5. Pasture or Grazing Land, typical market value per acre	$ 400	$ 600	$ 800	70 %
6. Woodland on Farms (land on farms used principally for trees although it may occasionally be pastured or grazed), typical market value per acre	$ 500	$ 700	$ 900	80 %

7. Influence or Nonagricultural Value: (5) Urban [√] Recreation [ ] Other [ ]

PART C - FARM OR RANCH LAND CASH RENTS

Provide your best estimate of county-wide cash rent per acre expected during the 1992 season for each of 3 types of farm or ranch land (Items 12 through 14). If non-cash rental arrangements are prevalent for any of the following farm or ranch land types in your county, convert to an equivalent cash basis. (There should not be estimates in both fields.)

8. What percentage of cropland in your county is rented? (6) 50 %

9. Of that cropland rented, what percentage is (7) Cash rented 70 % Share rented 20 % Other 10 %

10. What percentage of grazing land in your county is rented (EXCLUDE leasing on public land)? (8) 15 %

11. Of that grazing land rented, what percentage is (9) Cash rented ($/acre) 90 % AUM rented ($/AUM) 0 % Other 10 %

	AVERAGE Cash Rent	AVERAGE Equivalent Cash Rent
12. Irrigated Cropland, typical cash rent per acre (10)	$ 250	$
13. Nonirrigated Cropland, typical cash rent per acre (11)	$ 125	$
14. Pasture or Grazing Land (EXCLUDE leasing on public land), typical cash rent per acre (12)	$ 65	$

15. Comments (13)

PART D - REPORT PREPARATION

16. Sources consulted in the preparation of this report. *(Check applicable box(es))* (14)

a. Personal knowledge of local land market [√]
b. County Office Committee [√]
c. Local real estate professional [ ]
d. Last year's report [ ]
e. Other *(Specify)* [√] [illegible]

17. Comments *(Please be concise.)* (15)

18. Time spent completing this survey 95 minutes (16)

CONSERVATION COST-EFFECTIVENESS

Mr. DURBIN. Due to tight fiscal constraints and an effort to preserve limited resources, language was included in the appropriation bill to defer additional sign-ups for CRP in fiscal year 1993. In preparation for the fiscal year 1994 appropriation I asked GAO to look at the CRP to determine whether it is a cost beneficial program compared to the environmental benefits it provides. I also asked them to compare the program to other conservation programs designed to reduce the environmental impact of agriculture. We received the report on Friday. GAO concluded that the CRP is a costly way to reduce the environmental problems associated with agricultural production. They also concluded that while the program does curb excess production and support farmers' incomes, it postpones rather than resolves agriculture related environmental problems. Since contracts entered into are temporary, usually for 10 years, additional costs may be incurred to maintain the program's goals once the contracts expire. As you know, the first contracts will begin to expire in a little over a year. Secretary Madigan stated at last year's hearing that the Department hoped to have a policy determination by January 1993. Has a policy decision been made?

Mr. WEBER. No, not yet. The workgroup that was established to make recommendations to the Administration for the future of the CRP is evaluating data and considering alternatives. It is anticipated that recommended alternatives will be presented to the Secretary late this summer.

Mr. DURBIN. The report also states that other USDA conservation programs use strategies that cover more acres of cropland, are less costly, and provide more lasting benefits. Tell us your reaction to this.

Mr. WEBER. Some of the benefits provided under the CRP will be lasting. Most of the trees planted will remain for many years after the expiration of the CRP contracts. Also, some of the vegetative cover will remain in place on those farms after the contract expires if the producers have determined that the land requires too expensive a treatment to comply with conservation compliance provisions, or the nature of the farming operation has changed so that the land is needed for pasture or hayland.

If the annual rental payment is attributed to the cost of the cover, it is certainly accurate that the establishment of vegetative cover under CRP is more expensive than it is under other USDA programs. However, the annual rental payment could be considered as the cost of removing land from production and for providing income support to producers.

Mr. DURBIN. Has your agency done any studies comparing the cost versus environmental benefits of any ongoing conservation program?

Mr. WEBER. ASCS has not performed any recent studies comparing the environmental benefits of conservation programs to the costs. Any comparative analysis involving an empirical determination of the benefits which are often intangible, is extremely difficult to prepare. However, the Economic Research Service has pre-

pared some analyses of these types, and I will provide to you some titles for the record.

[The information follows:]

CONSERVATION COST-BENEFIT ANALYSES

"Water Quality Benefits for Conservation Reserve Program" (Agricultural Economics Report Number 606) February 1989.

"Natural Resources and Users Benefit from the Conservation Reserve Program" (Agricultural Economics Report Number 627) January 1990.

"The Conservation Reserve Program, an Economics Assessment" (Agricultural Economics Report Number 626) February 1990.

WETLANDS RESERVE PROGRAM

Mr. DURBIN. On the Wetlands Reserve Program, it is my understanding that we still do not have an analysis of whether the price that we are paying per acre can be justified. If I recall correctly, the program cost over $900 an acre in the pilot program. Do you know whether or not such an analysis is forthcoming or if it was supposed to be included in the earlier report?

Mr. WEBER. As far as the $954 per acre, $742 of that is for the purchase of easements; another $52 an acre is for restoration; for appraisals, $6 an acre; other overhead, including surveys, title searches, legal fees, and filing fees, $4.35 an acre; and technical assistance, $124 an acre. These costs total $929; and then Fish & Wildlife overhead and ASCS county office overhead add another $25 per acre, combined. That's essentially the breakdown of the $954.

Mr. DURBIN. Has there been any analysis to determine whether the underlying cost per acre is justifiable?

Mr. WEBER. We think, based on the effort that we went through to review the bids, that we accepted bids that were reasonable. That does not suggest that we were absolutely correct, and certainly as we move on into the program we need to continue to review, to ensure that we are getting the most bang for the buck.

Mr. DURBIN. Of the acres that were included in the Wetlands Reserve Program, was there an effort made by the Federal agencies to grade them from an environmental viewpoint as to their importance?

Mr. WEBER. That is my understanding, yes.

Mr. DURBIN. We have tried to determine what the national cost of this program would be. It is estimated to be about $1 billion. There are many, myself included, who believe that we should sit down at this point and evaluate the future of this program. I believe, as I alluded to in an earlier question, that we should establish some environmental priorities. We have a lot of good environmental ideas before us, but we cannot afford them all. I know it goes beyond your jurisdiction to make this decision, that is within our province. I believe we have to establish some priorities and determine whether we should spend $1 billion nationally on the Wetlands Reserve Program, or come up with more environmental enhancement for less money through some other approach. That is something that we need to consider.

Mr. WEBER. We will certainly be willing to work with the Committee on that.

Mr. DURBIN. According to your report you received intentions to bid from 2,337 farms for a total of 462,078 acres. By the September deadline, bids were submitted on 1,314 farms for 249,059 acres. Of the 249,059 acres that were bid, how were they ranked environmentally?

Mr. WEBER. The acreage on which bids were not in excess of the fair market value, approximately 62,000 acres, was scored using an environmental benefits formula. In States where acceptable acres bid did not exceed the allotment, ranking was not necessary. Acreage allotments were given to States to ensure geographic and wetland type diversity.

Each bid was scored by a formula made up of the product of five wetland merit factors divided by the easement payment and Federal restoration cost. The five factors rated the percentage of bid area to be restored to wetlands and the expected hydrology restored, the contribution of the restored wetland to the immediate ecological complex, the contribution of the wetland to the environmental management plans of Federal and State governmental agencies, the possible offsite effects that could adversely affect the restored wetland, and easement duration.

The discriminatory power of the ranking system was reduced in the pilot program because of the decision to accept acres from a diversity of geographic areas and wetland types. Even so, comparison of the accepted and rejected acres demonstrates that the lands with the highest environmental benefits were accepted. Over two-thirds of the rejected acres would not have contributed to increased wetland complex functions, compared with only 40 percent of the accepted acres. Over 75 percent of the accepted acres are either in an endangered species recovery plan area or in an area under an active waterfowl or wetland project, compared with 60 percent of the rejected acres.

Mr. DURBIN. Describe for us the criteria and process used in selecting the 49,888 acres that were ultimately selected for the program.

Mr. WEBER. Local ASCS and SCS offices made initial determinations on the basic eligibility of the bids. To be eligible for the pilot WRP, land must have been prior converted cropland, farmed wetlands, wetlands farmed under natural conditions, or contiguous uplands, riparian areas, natural wetlands, or wetlands restored under a State or Federal restoration project that is not under an easement extending for more than 30 years. Eligible acreage must have been owned by the person submitting the bid for at least 12 months prior to the signup period. Eligible cropland must have been planted to a crop in at least one of the crop years from 1986 through 1990.

No more than 10 percent of a county's cropland may be placed in WRP and CRP easements and no more than 25 percent of a county's cropland may be enrolled in the WRP and CRP, unless the Secretary determines that the local economy would not suffer from the additional enrollment and producers are having difficulty complying with environmental requirements.

SCS, with Fish and Wildlife Service concurrence, determined that the value of the restored wetland would likely be commensurate with the restoration costs. It is USDA policy to utilize the

most cost-effective restoration practices. Third parties are encouraged to enhance the restoration effort, but USDA pays only for restoration of the basic hydrology and vegetation. Sites with above-average restoration costs for the area were not eligible unless the State Technical Committee determined the value of the restored wetland was exceptionally high.

Eligible bids were evaluated to ensure that the requested easement payment did not exceed the fair market value of the easement. The valuations were uniquely calculated for each bid and were based on fair market value of the land, landowner cost of restoration, and long-term easement operation and maintenance costs. Before final acceptance, large bids require a professional appraisal that demonstrates that the bid amount does not exceed the fair market value.

Bids that did not exceed the fair market value of the easement and were otherwise eligible for acceptance were generally ranked by the bid ranking formula, except, as I mentioned, where a State's acceptable bids were at or below its allotment.

Bids were scored by the formula that I have described, ranked for each State in descending order, and selected in that order until the State allotment was filled. However, State conservationists were given the opportunity to designate a few bids in each State as top priority regardless of the ranking so that factors not quantified in the ranking could be considered.

A review of the accepted bids was conducted at the State level to ensure that the bids selected were reasonable and provided substantial environmental benefits.

Mr. DURBIN. If we were to provide additional funding to expand the program would these same criteria and process be used?

Mr. WEBER. The criteria would be essentially the same, although the process is being reviewed and could change. The appropriate geographic area for selection pools is being reexamined. In addition, USDA may modify the land eligibility and bid acceptance processes for future WRP signups to increase the cost-effectiveness of the program. The costs of the restoration practices will be reviewed to ensure that only the most cost-effective practices are installed. Finally, the bid ranking formula will be reviewed to ensure that factors included in determining the environmental benefit score accurately reflect the environmental values derived from the restoration of the land.

Mr. DURBIN. Overall easement payments are expected to average about $140,000 per farm with payments in North Carolina and California averaging about $460,000 per farm. Payments to individual owners or farms will range from $1,000 to $2 million. This is quite a range. How are payments calculated?

Mr. WEBER. The payments on accepted bids are equal to the amount the landowners requested in the bid. Landowners offer specific acreage for a set price during signup and USDA accepts or rejects the offer. One of the factors affecting the price the landowner asks for is the choice of lump sum or annual payments. Those who bid for annual payments generally bid higher to be compensated for the time value of money.

Offers were accepted that ranged in size from less than an acre to over 2,100 acres per farm and from $67 per acre to over $7,800

per acre. The FACT Act did not place a limit on payments for permanent easements, but limited nonpermanent easement payments to $50,000 per person per year.

Mr. DURBIN. There are those that believe by limiting the size of the program you are forced to establish strict criteria and only enroll the best available land providing the greatest benefit to the environment. What is your opinion on this theory?

Mr. WEBER. Limiting the size of a program that accepts offers on the basis of the highest environmental benefits per dollar expended, such as occurs with the WRP or CRP, will likely increase the average environmental benefits received per taxpayer dollar expended. For smaller programs, average and marginal acceptable scores are likely to be higher and there is less likelihood of accepting sites where the public benefits are smaller than the costs. However, a benefit/cost analysis for each site would be required to determine the appropriate ranking cutoff and optimal enrollment size for each signup. If a complete benefit/cost analysis were possible, USDA would use it to establish eligibility criteria and select bids.

Even in the absence of a complete benefit/cost analysis, we believe that the benefits of the restoration of acreage in the pilot WRP will exceed the costs. Benefit/cost analysis of the Conservation Reserve Program by the Economic Research Service has shown that the environmental benefits of the CRP are commensurate with the cost. The WRP may have much larger environmental benefits per acre than the CRP. Also, the pilot WRP demonstrates the program's potential to assist in the recovery of endangered species, but there are no direct estimates of the value at present. We do know indirectly that the value of saving endangered species is sometimes very high, judging from the potential economic consequences of the prohibitions on land use resulting from the Endangered Species Act.

Mr. DURBIN. You have stated that ASCS is working with applicants to complete the lengthy process involved in establishing easements on accepted acres. Describe this process for us.

Mr. WEBER. During June 1992 landowners offered land for the WRP and during September 1992 submitted bids for the amount of cash they would be willing to accept for granting a permanent easement on their land. These bids were evaluated at the National level and those landowners with accepted bids were notified of tentative acceptance.

For easement values up to $3,500, ASCS assists the landowner in completing easement documents. For easement values from $3,501 to $100,000, the landowner is required to hire an attorney to complete necessary legal documents for filing the easement. For easement values exceeding $100,000, the landowner is also required to obtain title insurance.

In all cases, the USDA Office of General Counsel reviews the documents for legal sufficiency before filing.

After the easement documents are approved for filing, the county ASCS office will file the originals of the WRP easement, any subordination agreements and lien waivers, and the Wetland Restoration Plan of Operation summary in the local land records office.

Mr. DURBIN. Of the amount available in fiscal year 1992 for the CRP and Wetlands Reserve programs, how much was transferred to SCS for technical assistance? What percent is this of the total?

Mr. WEBER. For the CRP in fiscal year 1992, $7.063 million, or less than 1 percent of the $1.611 billion appropriation, was transferred to the SCS. Under the WRP no funds were transferred to SCS for technical assistance in fiscal year 1992, because the bid acceptance process had not been completed for the pilot program.

Mr. DURBIN. How much do you estimate transferring for these programs in fiscal year 1993?

Mr. WEBER. In FY 1993, we have transferred $5.052 million to the Soil Conservation Service for technical assistance on the CRP. This is the full amount planned for this purpose. For the WRP no funds were appropriated for FY 1993. However, $6.186 million of the $46.357 million fiscal year 1992 appropriation will be transferred to SCS in fiscal year 1993 for technical assistance related to the fiscal year 1992 pilot WRP. This represents $124 for each of the accepted 49,888 acres.

AGRICULTURAL CONSERVATION PROGRAM

Mr. DURBIN. For the record, provide a table of ACP accomplishments performed in each fiscal year from 1985 through 1992 and the total accomplishments from 1936 through 1992.

Mr. WEBER. I will provide the table for the record.

[The information follows:]

Agricultural Conservation Program
Practices Performed in 1985 through 1992
and Total Accomplishments 1936-1992

Practice	Unit	Extent Under 1985 Program	Extent Under 1986 Program	Extent Under 1987 Program	Extent Under 1988 Program	Extent Under 1989 Program	Extent Under 1990 Program	Extent Under 1991 Program	Extent Under 1992 Program	Total Accomplishments 1936-1992
Water impoundment reservoirs constructed to reduce erosion, distribute grazing, conserve vegetative cover and wildlife, or provide fire protection and other agricultural uses	1,000 structures	15	11	12	21	20	16	17	16	2,674
Terraces constructed to reduce erosion, conserve water, or prevent or abate pollution	1,000 acres	442	342	572	964	841	445	632	682	43,545
Stripcropping systems established to reduce wind or water erosion or to prevent or abate pollution	1,000 acres	131	92	82	139	123	139	124	105	116,691
Trees or shrubs planted for forestry purposes, erosion control or environmental enhancement	1,000 acres	183	190	197	252	250	229	271	271	9,991
Forest tree stands improved for forestry purposes or environmental enhancement	1,000 acres	34	27	21	38	40	38	45	47	5,409
Wildlife conservation	1,000 acres	34	33	24	48	35	37	43	46	15,107 1/
Sediment pollution-abatement structures or runoff control measures	1,000 acres	464	399	300	474	390	331	481	399	23,340 2/
Conservation tillage including reduced tillage and no-till	1,000 acres	1,076	631	423	445	330	400	411	556	8,448 3/

1/ From 1962 with certain data estimated.
2/ From 1970.
3/ From 1973.

Mr. DURBIN. Last year you provided a table showing ACP unobligated balances brought forward from prior years for fiscal years 1988 through 1992. Would you please update this table to include the unobligated balance carried forward into fiscal year 1993?

Mr. WEBER. Yes.

[The information follows:]

ACP UNOBLIGATED BALANCES, FISCAL YEARS 1988–1993

	Fiscal year—					
	1988	1989	1990	1991	1992	1993
Unobligated balance brought forward from prior years	$72,396,429	$51,543,907	$44,468,125	$27,705,100	$35,711,370	$40,246,454

Mr. DURBIN. Each year there is a large carryover of unobligated money. I understand this occurs for a variety of reasons, from the time involved in planning, selecting, designing, and implementing practices to delays in implementation because of natural disasters or economic conditions, but what can be done to change this so that the money is spent in the year it is appropriated?

Mr. WEBER. As you indicated, the existence of unobligated balances may be complicated by a variety of factors, such as delays in implementing practices due to weather, delayed appropriations, economic conditions that cause some producers to cancel scheduled practices, and other considerations.

Of the $36 million unobligated at the beginning of 1992, $16 million was due to the delay in obligating funds for certain water quality projects. These projects often require a significant amount of lead time for planning purposes and some projects are allowed up to five years to obligate funds. The unobligated balance could be reduced by limiting the use of special projects or restricting the period for obligating the funds, but this would defeat the goal of the water quality projects where additional time is allowed for developing plans. Another means of minimizing the unobligated balance would be to reduce the use of long-term agreements since they require the development of more detailed plans. The LTA's often cover the whole farm and are a more comprehensive approach to addressing the conservation problems on a farm. However, this also lengthens the time required for approval of the application and obligation of the funds.

Mr. DURBIN. During last year's hearing Mr. Bjerke described two new ACP practices that were approved in fiscal year 1991, Practice WP6 or Constructed Wetland Systems for Agricultural Waste Water Treatment, and Practice SP55 or Pesticide Containment Facilities. Were any new practices approved in fiscal year 1992? If so, please describe them.

Mr. WEBER. During FY 1992, ASCS approved two new ACP practices. These practices are WQP1, Source Reduction of Agricultural Pollutants, and SP56, Rice Residue Management.

Practice WQP1, offered only in Water Quality Incentive Project areas, reduces nonpoint source agricultural pollutants in an environmentally and economically sound manner. Incentive payments are provided to producers to adopt new management methods

which will reduce nonpoint source pollutants affecting surface and ground waters.

Practice SP56 is a special practice developed for use in California to address the rice residue disposal problem in that State. Currently, a common method of disposing of rice residue is burning, which creates air pollution. This practice provides assistance for growers to implement other methods of eliminating rice residue.

Mr. DURBIN. On page seven of your statement you say that of the appropriation for ACP in 1993, $153 million is being spent for annual-type conservation practices and $20 million for long-term agreements. Would you describe each of these for the record?

Mr. WEBER. Under the ACP, all conservation practices are available for either an annual agreement or a long-term agreement. Producers applying for an annual agreement are approved for a conservation practice during the current fiscal year and the practice is usually completed within 1 to 2 years after approval. An annual agreement addresses a specific problem on a farm.

Producers applying for an LTA are approved for a practice or series of practices to be applied over a period of 3 to 10 years. If an LTA is for more than 5 years, then all the conservation problems on the farm must be addressed. Under a long-term agreement funds for all years of the project are obligated at the time the agreement is approved. That way participants are assured that funds will be available to carry out the future years of their agreement.

WATER QUALITY ACTIVITIES

Mr. DURBIN. Also, on that same page, you state that $15 million is being spent for Water Quality Incentive Projects and $5 million for other high priority water quality activities. Provide examples of each and describe how they are different.

Mr. WEBER. I will provide the information for the record.

[The information follows:]

WATER QUALITY ACTIVITIES

For FY 1993, $15 million was allocated for 106 Water Quality Incentive Projects (WQIP) located in 41 States.

The goal of WQIP's is to provide incentive payments to achieve the source reduction of nonpoint source agricultural pollutants in an environmentally and economically sound manner. The program provides incentive payments to producers to adopt new management methods which will provide a reduction in nonpoint source pollutants affecting surface and ground water. Emphasis is placed on solving a nonpoint source agricultural pollution problem through changes in management in a relatively small watershed, up to 50,000 acres, unless more than half the acres are for rangeland or forestland, in which case the project may cover up to 100,000 acres.

An example of a WQIP is the South Branch of the Potomac in Hampshire County, West Virginia. The watershed is identified in the State's Nonpoint Source Management Program's assessment as being significantly impacted by nonpoint source water quality problems. The project area covers 98,268 acres and 175 farms including orchards, dairy, and combination grain and livestock farms. The water quality is impaired due mainly to nitrates, pesticides, and sediment pollution. Producers often take excessive measures to maintain high levels of production and to prevent plant and crop diseases, especially on orchards.

Through the WQIP, conservation practices such as cover crops, cropping systems, residue use, conservation tillage and pasture rotation will be implemented to reduce sediment. In addition, scouting for insects and diseases will be done to limit the use of pesticides that may not be needed on cropland and orchards.

The $5 million for other high priority water quality activities was allocated as follows:

$3 million for third year funding for the FY 1991 Hydrologic Unit Area Projects (HUA). HUA's are designed to accelerate improvement of water quality in identified agricultural areas.

$900 thousand for third year funding for the FY 1991 Demonstration Projects (DP). DP's are intended to accelerate adoption of water quality technology in project areas and to gain experience that will be useful in extending program activities into other areas.

$1.1 million to the Lake Champlain Water Quality Special Project (WQSP) in Vermont. WQSP's are 1-year projects designed to improve water quality and help solve problems caused by agricultural nonpoint source pollution of ground and surface water. The only WQSP funded in FY 1993, the Lower Lake Champlain WQSP, is located in Addison, Chittenden, and Rutland Counties, Vermont. The objective of the project is to work with approximately 65 of the 87 livestock farms along Lake Champlain in these counties to reduce phosphorus loading by 39,450 pounds per year and save 22,043 tons of soil per year, thus contributing to a significant improvement in water quality. The majority of funds will be used for agricultural waste control facilities. However, other practices such as stripcropping, stream protection, and integrated crop management will also be used.

ACP PRACTICES

Mr. DURBIN. Provide a table similar to the one that appears on pages 447 and 448 of last year's hearing record and include an additional column showing the dollar amount used for fiscal year 1992.

Mr. WEBER. I would be happy to.

[The information follows:]

FY 1992 ACP Practices, Cost Shares, and Percent of Total Cost-Shares

Practice Number and Name	Cost-Shares	Percent of Total Cost-Shares
SL1 Permanent Vegetative Cover Establishment	$24,776,209	13.73
SL2 Permanent Vegetative Cover Improvement	13,833,974	7.67
SL3 Stripcropping Systems	2,003,707	1.11
SL4 Terrace Systems	16,690,067	9.25
SL5 Diversions	2,258,905	1.25
SL6 Grazing Land Protection	13,398,868	7.43
SL7 Field Windbreak Restoration or Establishment	953,161	.53
SL8 Cropland Protective Cover	4,905,753	2.72
SL9 Farmstead and Feedlot Windbreak	1,893,358	1.05
SL11 Permanent Vegetative Cover on Critical Area	3,254,025	1.80
SL12 Vegetative Row Barriers	1,539	#
SL13 Contour Farming	267,007	.15
SL14 Reduced Tillage Systems	852,445	.47
SL15 No-Till Systems	6,698,349	3.71
WC1 Water Impoundment Reservoirs	6,923,580	3.84
WC2 Spreader Ditches or Dikes	82,780	.05
WC3 Rangeland Moisture Conservation	35,014	.02
WC4 Irrigation Water Conservation	25,483,752	14.12
WP1 Sediment Retention, Erosion or Water Control Structure	9,794,953	5.43
WP2 Stream Protection	591,889	.33
WP3 Sod Waterways	10,793,218	5.98
WP4 Agricultural Waste Control Facilities	18,891,835	10.47
WP6 Constructed Wetland System for Agricultural Wastes	3,591	#
FR1 Forest Tree Plantations	8,615,772	4.77
FR2 Forest Tree Stand Improvement	1,828,409	1.01
FR3 Site Prep for Natural Regeneration	144,249	.08
WL1 Permanent Wildlife Habitat	754,414	.42
WL2 Shallow Water Areas for Wildlife	1,012,448	.56

SP1	Plugging Artesian Wells	53,164	.03
SP10	Streambank Stabilization	280,584	.16
SP24	Raise Clod-Form Subsoil to Prevent Blowing	110,529	.06
SP25	Subsoiling	64,382	.04
SP31	Interim Wildlife Food and Cover	21,761	.01
SP32	Restoration of Salt Damaged Soil	2,925	#
SP35	Water Management Systems for Pollution Control	498,724	.28
SP40	Erosion Control in a Crop Management System	570	#
SP42	Long Term Permanent Cover on Hillsides	4,925	#
SP43	Forest Land Management Roads	95,127	.05
SP44	Stand Analysis for Forest Management Planting	189,598	.11
SP45	Land Smoothing for Salinity Control	16,113	.01
SP46	Aquaculture Waste Control Facility	18,715	.01
SP52	Straw Mulching for Furrow Irrigation	28,744	.02
SP53	Integrated Crop Management	1,675,252	.93
SP54	Rice Land Water Quality Improvement	280,333	.16
SP55	Pesticide Containment Facilities	34,837	.02
WQP1	Source Reduction of Agricultural Pollutants	334,157	.19
	Total	180,453,711	100.00

Insignificant Value Present

WATER QUALITY ACTIVITIES

Mr. DURBIN. The Water Quality Incentives Program began in fiscal year 1992 with the first sign-up from February 3 to February 21 of that year. How many producers initially signed up for the program and how many actually participated the first year?

Mr. WEBER. During FY 1992, two WQIP signups were held; 2,346 producers submitted requests to participate and 495 producers were approved.

Mr. DURBIN. Mr. Bjerke stated at last year's hearing that 35 practices may be available to participants but that SCS would determine the practice or practices needed to address water quality problems on a farm. Of the producers that participated in the first year what practices were carried out?

Mr. WEBER. Technically speaking, Mr. Chairman, we only have one WQIP practice, known as Source Reduction of Agricultural Pollutants, but under that practice we have a number of management techniques that can be used. I will provide you a list of the measures used in the first year.

[The information follows:]

Fiscal Year 1992 Water Quality Incentives Management Techniques

Measure	Number of Applications	Acres
Waste Management	3	230
Brush Management	4	485
Conservation Cover	3	427
Conservation Cropping	17	3,152
Conservation Tillage	34	3,341
Contour Farming	10	855
Prescribed Burning	3	193
Cover Crop	1	32
Crop Residue	8	2,446
Grasses Rotation	1	26
Irrigation Water Management	34	5,721
Livestock Exclusion	3	313
Mulching	1	10
Pasture Hayland Management	51	5,521
Pasture Hayland Planting	13	295
Proper Grazing Use	1	137
Planned Grazing System	2	289
Field Strip Cropping	1	160
Nutrient Management	20	2,646
Waste Utilization	37	3,847
Wildlife Upland Habitat	7	648
Well Testing	30	1,335
Record Keeping	50	15,956

Mr. DURBIN. What is the average cost per acre of land treated?

Mr. WEBER. The average cost per acre for land treated under WQIP was $7.02. WQIP practices are LTA's which are generally for 3 years, so the total cost-share payment is about $21 per acre.

Mr. DURBIN. How many producers will or are already participating in the program this fiscal year?

Mr. WEBER. In FY 1993, approximately 3,100 producers are expected to participate.

Mr. DURBIN. A Water Quality Resource Management Plan is required on a farm before incentive payments are made. Data from these plans are forwarded to the National Office and are reviewed to determine their effectiveness. How are individual practices monitored at the farm level to determine if they are cost beneficial as well as environmentally beneficial?

Mr. WEBER. The Water Quality Resource Management Plan developed for each participant promotes a resource management system rather than individual conservation practices. When evaluated as an entire system, the conservation benefits generally exceed the sum of the individual components.

For the WQIP, SCS collects extensive data on the cumulative non-point source pollution reduction achieved and the methods used to achieve that reduction. An interagency committee comprised of ASCS, SCS, and Cooperative Extension Service reviews the anticipated source reduction and conservation benefits of every plan prior to approval of any contract. That data is then forwarded to the national office for further program evaluation. ASCS also collects some data on the conservation benefits of individual practices. The county ASC committee reviews all individual practices prior to implementation to ensure that the practice is cost effective.

Mr. DURBIN. Please provide us with a copy of the rules and regulations that pertain to this program.

Mr. WEBER. The WQIP was funded within the ACP in FY 1992. Language was included in the conference report on the FY 1993 Appropriations Bill stating that the conferees expected ACP regulations to be revised to cover WQIP provisions. Although it was determined that the current ACP rule is sufficient to operate WQIP, revised ACP regulations have been drafted to include specific provisions for water quality incentive practices and will be proposed shortly.

Mr. DURBIN. How were funds allocated to the States in fiscal year 1993? Provide a list, by State, of projects that received funding and how much each received.

Mr. WEBER. WQIP funds were allocated to States based on the amount requested in the project proposals and approved by the State ASC committees. All projects approved by the State Committees were funded in 1992 and received about 80 percent of the funds requested.

For FY 1993, ASCS requested that ASCS, SCS, ES, and State water quality agencies, in coordination with other Federal, State and local agencies, develop project proposals for WQIP. The project proposals were reviewed by the State Conservation Review Group—SCRG—and a maximum of the three highest priority projects were submitted to National headquarters. In many States

a number of lower priority projects were deleted based on the recommendation of the SCRG.

All projects were further reviewed for overall quality by an interagency group at the National headquarters, and a decision was made to fund the projects at 80 percent of the requested funding level.

I will provide to you a table for the record showing projects and funding by State.

[The information follows:]

FY 1993 Water Quality Incentive Projects

State	Project Name	Affected Counties	Funding	Project Acres
Alabama	Crowdabout Creek	Morgan	$199,000	27,000
Alabama	Duck Creek	Cullman	$197,000	40,600
Alabama	Swift Creek	Chilton	$146,000	21,400
Arizona	Maricopa Stanfield	Pinal	$120,000	45,000
Arizona	Coyote Creek	Apache	$80,000	75,000
Arkansas	Clear Creek	Washington	$188,000	50,000
Arkansas	Middle Crooked Creek	Boone	$189,000	44,861
Arkansas	Blue Bayou	Howard	$95,000	9,660
California	Colusa	Colusa	$52,000	50,000
California	Westside Fresno	Fresno	$199,000	50,000
California	Western Stanislaus	Stanislaus	$199,000	4,200
Colorado	Patterson Hollow	Pueblo, Otero	$199,000	45,000
Colorado	San Luis Valley	Alamosa, Rio Grande, Saguache	$80,000	50,000
Colorado	Weld	Weld	$167,000	26,386
Connecticut	Yantic River	New London	$120,000	61,400
Delaware	Delaware River, Delaware Bay	Kent, Sussex	$199,000	50,000
Delaware	St. Jones River	Kent, Sussex	$88,000	47,500
Florida	Middle Suwannee River	Suwannee	$40,000	32,640
Florida	Palm Beach	Palm Beach	$190,000	48,640

State	Project Name	Affected Counties	Funding	Project Acres
Florida	Northeastern Jackson	Jackson	$40,000	46,080
Georgia	North Oconee	Hall	$199,000	37,900
Georgia	North Fork	Stephens, Franklin	$199,000	43,566
Idaho	Eastern Snake River Plain Aquifer	Bingham	$192,000	28,000
Idaho	Lower Payette River	Payette	$199,000	33,405
Idaho	Upper Deep Creek	Twin Falls	$151,000	10,111
Illinois	Big Blue Creek	Pike	$40,000	7,000
Illinois	Richland/Dry Creek	Woodford	$41,000	30,470
Illinois	Mississippi Karst	Monroe	$199,000	48,350
Indiana	Fish Creek	Steuben, De Kalb	$44,000	27,000
Indiana	Upper Laughery/Ripley Creek	Ripley	$40,000	50,000
Indiana	Blue River	Whitley, Noble	$151,000	48,750
Iowa	Iowa Great Lakes	Dickinson	$88,000	30,600
Iowa	Yellow and Turkey River	Fayette, Winneshiek	$123,000	46,080
Iowa	Pine Lake	Hardin, Grundy	$143,000	9,680
Kansas	Smokey Hill	Saline	$162,000	48,000
Kansas	Howard City, Moline, City Lake	Elk	$80,000	11,200
Kansas	Big Bull Creek	Johnson	$159,000	29,000
Louisiana	Upper Tensas River	East Carroll	$199,000	50,000
Louisiana	Lac Des Allemands	Ascension, St. James	$195,000	45,600

State	Project Name	Affected Counties	Funding	Project Acres
Maine	Presumpscot River	Cumberland	$48,000	94,523
Maine	Eastern Meduxnekeag	Aroostook	$68,000	42,240
Maine	Webb Brook	Hancock	$40,000	23,735
Maryland	Upper Pocomoke	Wicomico, Worcester	$199,000	50,000
Maryland	Upper Choptank	Caroline	$199,000	44,500
Maryland	Prettyboy Reservoir	Carroll, Baltimore	$91,000	37,000
Michigan	Mud Creek	Barry, Eaton, Ionia	$199,000	35,470
Michigan	Central Crockery Creek	Muskegon, Ottawa, Newaygo, Kent	$199,000	43,270
Michigan	Quanicassee	Bay, Saginaw, Tuscola	$52,000	45,000
Minnesota	Getchell, Unnamed Creek	Stearns	$199,000	49,664
Minnesota	St. Peter, Prairie Du Chien, Jordan Aquifer	Olmstead	$159,000	87,040
Minnesota	Moose Lake, Grant Creek	Beltrami, Clearwater	$199,000	62,969
Mississippi	Fannegusah Creek Pearl River	Scott, Rankin	$182,000	48,360
Mississippi	Tuscumbia River	Alcorn, Prentiss	$199,000	25,000
Missouri	North Salt River	Macon, Marion, Monroe, Ralls, Randolph, Shelby	$196,000	15,000
Missouri	Cameron - Grindstone	De Kalb, Clinton	$197,000	16,647

State	Project Name	Affected Counties	Funding	Project Acres
Missouri	Lake Harrisonville	Cass	$194,000	8,966
Montana	Bullhead	Pondera	$199,000	46,400
Nebraska	Red Willow-Hitchcock	Red Willow, Hitchcock	$199,000	48,640
Nebraska	Central Garden	Garden	$167,000	26,300
Nebraska	Ainsworth Irrigation	Brown	$199,000	49,780
New Hampshire	Merrimack River	Rockingham	$108,000	87,100
New Hampshire	Connecticut, Ammonoosuc River	Grafton	$126,000	72,890
New Hampshire	Piermont, Orford, Tributaries	Grafton	$88,000	78,900
New Mexico	Pecos River	Eddy	$199,000	5,968
New York	Upper Wallkill	Orange	$159,000	50,000
New York	Lake Champlain's Cumberland Bay	Clinton	$147,000	80,553
New York	Wallkill River	Ulster	$24,000	96,203
North Carolina	Broad and Pungo Creek	Beaufort	$199,000	85,000
North Carolina	Long, Little Long Creek	Gaston	$199,000	28,400
Noth Dakota	Red River RC&D 319	Pembina, Cavalier, Walsh	$199,000	50,000
North Dakota	Bowman-Haley HUA	Bowman	$96,000	99,940
North Dakota	Goodman Creek	Mercer	$120,000	59,000
Ohio	Thompson Township	Seneca	$161,000	22,379
Ohio	Upper Killbuck Creek	Wayne, Medina	$199,000	35,345
Ohio	Lake Loramie	Shelby, Auglaize	$199,000	49,728
Oklahoma	Lukfata Creek	McCurtian	$62,000	56,000

State	Project Name	Affected Counties	Funding	Project Acres
Oklahoma	Upper Poteau River	Le Flore	$199,000	87,496
Oklahoma	Willow Creek	Caddo	$199,000	26,880
Oregon	Upper Illinois	Josephine	$145,000	49,790
Oregon	Dairy Creek	Washington	$199,000	40,000
Oregon	Ontario	Malheur	$183,000	50,000
Pennsylvania	Tulpehocken Creek	Berks, Lebanon	$197,000	43,300
Pennsylvania	Red and White Clay Creek	Chester	$60,000	39,200
Pennsylvania	Shenango River	Mercer	$199,000	50,000
South Dakota	Lower Bad River	Stanley, Jones, Lyman	$81,000	100,000
South Dakota	Big Sioux Aquifer	Brookings, Moody	$63,000	49,600
South Dakota	Pickerel Lake	Day	$51,000	15,015
Tennessee	Davis Creek/Clinch-Powell Rivers	Claiborne, Campbell	$86,000	53,400
Texas	Oak Creek, Trammell	Nolan	$199,000	50,000
Utah	Rabbit Valley	Wayne	$96,000	16,738
Utah	Otter Creek - Koosharem	Piute, Sevier	$96,000	36,000
Utah	Little Bear	Cache	$159,000	92,000
Vermont	Mallets Bay	Chittenden	$40,000	24,640
Vermont	Brown's River	Chittenden, Franklin, Lamoille	$40,000	58,800
Vermont	Lower Lamoille River	Chittenden, Franklin, Lamoille	$56,000	100,000
Virginia	Columbia Chesapeake	Accomack	$199,000	47,000
Virginia	Muddy Creek	Rockingham	$80,000	20,005

State	Project Name	Affected Counties	Funding	Project Acres
Virginia	Flat Creek	Amelia, Nottoway	$199,000	90,000
Washington	Portage Creek	Snohomish	$106,000	13,654
Washington	Nookachamps	Skagit	$96,000	48,700
West Virginia	Opequon Creek	Berkeley	$103,000	49,575
West Virginia	South Branch of Potomac	Hampshire	$152,000	98,268
West Virginia	Shenandoah	Jefferson	$80,000	49,662
Wisconsin	Fall Creek	Pepin	$179,000	10,822
Wisconsin	Stevens Point, Whiting, Plover	Portage	$199,000	69,100
Wisconsin	East River	Brown, Calumet, Manitowoc	$199,000	18,125
TOTAL			$15,000,000	4,815,759

Mr. DURBIN. Please update the table that appears on page 451 of last year's hearing record to show fiscal year 1993 actuals and fiscal year 1994 estimates.

Mr. WEBER. At this time, the FY 1994 President's Budget estimates have not been released, but I will provide the table updated to reflect fiscal year 1993 actual data.

[The information follows:]

AGRICULTURAL CONSERVATION PROGRAM—WATER QUALITY FUNDING

[Dollars in thousands]

	Fiscal year—					
	1988	1989	1990	1991	1992	1993
Water quality:						
National Demonstration Projects			889	1,800	1,800	900
1990 Projects			(889)	(889)	(889)	
1991 Projects				(900)	(900)	(900)
Number of New Projects			8	8		
USDA Nonpoint Source Hydrologic Units			7,000	12,100	12,100	3,000
1990 Projects			(7,000)	(5,000)	(5,000)	
1991 Projects				(7,100)	(7,100)	(3,000)
Number of New Units			37	37		
ACP Special Water Quality Projects	6,795	11,717	11,930	9,100	9,100	1,100
Water Quality Incentive Projects					6,750	15,000
Total	6,795	11,717	19,819	23,000	29,750	20,000

Mr. DURBIN. As can be seen from this table, prior to fiscal year 1993 the Department funded a number of water quality projects which included national demonstration projects, non-point source hydrologic units and other ACP special water quality projects. Are these projects the same as those now funded under the Water Quality Incentives Program? If not, how are they different?

Mr. WEBER. The Water Quality Incentive Projects are not the same as the Hydrologic Unit Areas, Demonstration projects, or Water Quality Special Projects. I will provide for the record a summary of the goals and objectives of each of the water quality projects funded from ACP.

[The information follows:]

ACP WATER QUALITY ACTIVITIES

Water Quality Incentive Projects—The goal of the WQIP is to achieve the source reduction of nonpoint source agricultural pollutants in an environmentally and economically sound manner. The program provides incentive payments to producers to adopt new management methods which will reduce agricultural nonpoint source pollutants affecting surface and ground water.

In FY 1992, WQIP eligibility was limited to existing HUA's, DP's and 1991 WQSP's. In FY 1993, WQIP eligibility was expanded to include areas outside other USDA project areas and was limited to watersheds of up to 50,000 acres unless the majority of the area was forest or rangeland, in which case the WQIP could cover up to 100,000 acres.

Demonstration Projects—The goal of the water quality demonstration projects is to encourage the accelerated adoption of appropriate technology and management by producers, as a means of achieving voluntary, cost-effective, and substantial reduction in the loading of agricultural chemicals into the environment. These projects extend knowledge and technology to producers in the larger agricultural community as well as those in the project area. The projects are managed to combine the achievements of education, technology transfer, and financial assistance.

Hydrologic Unit Areas—The goal of the HUA projects is to assist farmers, ranchers and foresters through a collaborative education, technology, and financial assistance program to implement management practices that will meet specific State water quality requirements such as those developed for Clean Water Act, Section 319, water quality plans. HUA's are 5-year projects designed to accelerate improvement of water quality in identified agricultural areas.

Water Quality Special Projects—WQSP's are 1-year projects designed to improve water quality and help solve problems caused by agricultural nonpoint source pollution of ground and surface water. The projects were short-term projects intended to focus resources in an area with an identified water quality problem which could be readily addressed.

Under the HUA's, DP's, and WQSP's, structural measures are often employed to address a water quality concern, whereas under the WQIP's, only nonstructural practices are used.

Mr. Durbin. The level of water quality funding provided within ACP was decreased by two thirds in 1993. Would you please explain the reason for this?

Mr. Weber. The amount allocated for water quality projects under the previous Administration's Water Quality Initiative decreased from $23 million in FY 1992 to $5 million in FY 1993, but other water quality activities have increased. The Water Quality Initiative projects consist of the HUA's, DP's, and WQSP's. The WQSP's were short-term projects which usually received cost-share funds only in the first year of the projects. The WQSP's were discontinued in FY 1992 upon implementation of the Water Quality Incentive Projects. The HUA's and DP's were initiated in 1990 and 1991. These are 5-year projects and generally use cost-share funds for 3- to 10-year long-term agreements. Cost-share funds were allocated to the projects during the first 3 years of the projects so that funds would be available as soon as plans were completed.

The amount appropriated for the WQIP increased from $6.75 million in 1992 to $15 million in 1993. The cost-shares paid only account for a portion of the ACP funds used for water quality, and the total amount of ACP cost-shares used for water quality practices has increased steadily over the past several years from 5 percent in 1984 to 20 percent in 1992. It is estimated that the percentage of ACP total funds used for water quality practices of all types will increase again in 1993 to 22 percent of the total.

ACP PARTICIPATION

Mr. Durbin. Please update the table that appears on page 452 of last year's hearing record showing the appropriation, number of participants, and average cost per participant to include fiscal year 1992.

Mr. Weber. I would be happy to.

[The information follows:]

AGRICULTURAL CONSERVATION PROGRAM—APPROPRIATION, PARTICIPANTS AND AVERAGE COST PER PARTICIPANT

[FY 1982–1992]

Fiscal year	Appropriation	No. of participants	Average cost [1] per participant
1992	$194,435,000	120,192	$1,415
1991	190,149,528	123,906	1,398
1990	182,369,000	123,782	1,354

AGRICULTURE CONSERVATION PROGRAM—APPROPRIATION, PARTICIPANTS AND AVERAGE COST PER PARTICIPANT—Continued

[Fys 1982–1992]

Fiscal year	Appropriation	No. of participants	Average cost [1] per participant
1989	176,935,000	124,400	1,315
1988	176,935,000	139,938	1,299
1987	176,935,000	107,321	1,163
1986	180,739,000	116,952	1,083
1985	190,000,000	164,893	990
1984	190,000,000	162,093	901
1983	190,000,000	203,642	821
1982	190,000,000	199,671	764

[1] Represents the average amount of Federal cost-share reimbursed to the participant.

Mr. DURBIN. While the appropriation has remained pretty constant over the years, the number of participants has decreased by 38 percent and the average cost per participant has increased by 83 percent. Would you explain why this occurred?

Mr. WEBER. Over the past 10 years there was a significant increase in the cost of implementing conservation practices. During this time the consumer price index increased by 35 percent. Also, the average farm size increased by 10 percent. A change was also made during this time in the processing of long-term agreements which provided for making accelerated payments to producers who complete practices ahead of schedule. One effect of this has been to encourage the installation of more expensive structural practices, such as animal waste systems. The combination of these conditions has resulted in a higher amount of cost-share per participant.

TECHNICAL ASSISTANCE

Mr. DURBIN. For the record provide a table, by State, showing the amount of technical assistance received from SCS for the ACP program, the amount SCS was reimbursed for these services, and what percent this is compared to total funds available for fiscal year 1992.

Mr. WEBER. I will provide the information for the record.

[The information follows:]

Agricultural Conservation Program
FY 1992 SCS Technical Assistance

State	State Allocations on which tech. assist. was performed a/	SCS Technical Assistance	Balance	Percentage of total funds reimbursed for tech. assist. b/
Alabama	5,181,000	259,050	4,921,950	5.00%
Alaska	237,000	11,850	225,150	5.00%
Arizona	1,908,000	90,650	1,817,350	4.75%
Arkansas	4,747,000	307,350	4,439,650	6.47%
California	5,015,000	250,750	4,764,250	5.00%
Colorado	3,858,000	192,900	3,665,100	5.00%
Connecticut	640,000	32,000	608,000	5.00%
Delaware	789,000	39,450	749,550	5.00%
Florida	3,743,000	164,961	3,578,039	4.41%
Georgia	5,795,000	287,250	5,507,750	4.96%
Hawaii	613,000	30,650	582,350	5.00%
Idaho	3,279,000	163,950	3,115,050	5.00%
Illinois	6,654,000	332,700	6,321,300	5.00%
Indiana	3,607,000	177,235	3,429,765	4.91%
Iowa	6,021,000	301,050	5,719,950	5.00%
Kansas	5,686,000	242,650	5,443,350	4.27%
Kentucky	4,872,000	243,600	4,628,400	5.00%
Louisiana	3,510,000	158,268	3,351,732	4.51%
Maine	2,501,000	125,050	2,375,950	5.00%
Maryland	1,068,000	62,900	1,005,100	5.89%
Massachusetts	702,000	33,431	668,569	4.76%
Michigan	4,695,000	234,750	4,460,250	5.00%
Minnesota	6,063,000	266,550	5,796,450	4.40%
Mississippi	5,237,000	259,100	4,977,900	4.95%
Missouri	7,235,000	345,869	6,889,131	4.78%
Montana	4,444,000	222,200	4,221,800	5.00%
Nebraska	5,015,000	250,750	4,764,250	5.00%
Nevada	722,000	36,100	685,900	5.00%
New Hampshire	647,000	32,350	614,650	5.00%
New Jersey	867,000	0	867,000	0.00%
New Mexico	2,063,000	103,150	1,959,850	5.00%
New York	4,874,000	243,700	4,630,300	5.00%
North Carolina	3,999,000	199,950	3,799,050	5.00%
North Dakota	3,347,000	167,350	3,179,650	5.00%
Ohio	3,845,000	192,250	3,652,750	5.00%
Oklahoma	3,764,000	188,200	3,575,800	5.00%
Oregon	3,744,000	187,200	3,556,800	5.00%
Pennsylvania	4,039,000	201,950	3,837,050	5.00%
Puerto Rico	638,000	31,900	606,100	5.00%
Rhode Island	114,000	8,200	105,800	7.19%
South Carolina	2,519,000	120,026	2,398,974	4.76%
South Dakota	2,776,000	138,800	2,637,200	5.00%
Tennessee	3,319,000	183,500	3,135,500	5.53%
Texas	15,581,000	729,633	14,851,367	4.68%
Utah	1,868,000	93,400	1,774,600	5.00%
Vermont	1,817,000	87,350	1,729,650	4.81%
Virginia	3,178,000	158,900	3,019,100	5.00%
Virgin Islands	20,000	950	19,050	4.75%
Washington	4,223,000	217,440	4,005,560	5.15%
West Virginia	2,012,000	94,753	1,917,247	4.71%
Wisconsin	4,654,000	226,400	4,427,600	4.86%
Wyoming	1,640,000	82,000	1,558,000	5.00%
TOTAL	179,385,000	8,812,366	170,572,634	4.91%

a/ Technical assistance is not performed in hydrologic unit areas or demonstration projects. Funds are not included for these in the State allocation amounts above.

b/ Percentages are based on actual payment data. States that exceed 5% include payments from prior year allocations.

WATER BANK PROGRAM

Mr. DURBIN. For each of the States that are using Water Bank Program funds, what is the total number of agreements entered into, what is the average cost per agreement per year, and the average cost per acre per year for fiscal year 1992 contracts?

Mr. WEBER. I will provide that for the record.

[The information follows:]

FISCAL YEAR 1992 WATER BANK PROGRAM

State	No. of agreements	Average cost per agreement per year	Average cost per acre per year
Arkansas	104	$1,428	$9.53
California	21	3,730	12.14
Louisiana	60	1,308	13.08
Minnesota	227	1,430	27.50
Mississippi	92	1,687	8.65
Montana	20	1,012	11.99
Nebraska	30	1,301	28.27
North Dakota	203	1,406	13.52
Ohio	32	722	20.17
South Dakota	130	2,101	17.83
Wisconsin	69	1,985	31.67

Mr. DURBIN. Why are the average costs per acre per year so much higher in Minnesota and Wisconsin compared to other States?

Mr. WEBER. There are two reasons. First, cash rental rates for cropland are higher in Wisconsin and Minnesota than in any Water Bank State, except Ohio, which was just approved for Water Bank in 1991. And secondly, Wisconsin and Minnesota have a higher ratio of adjacent land to total land under agreement.

Mr. DURBIN. Similarly, why are the average costs per agreement per year so much higher in California compared to other States?

Mr. WEBER. The average cost per agreement per year is higher in California, due to the larger than average number of acres per agreement. For all WBP States there is an average of 111 acres per agreement while the average for California is 310 acres.

I will provide to you a table showing the average number of acres per agreement for each State.

[The information follows:]

Water Bank Program agreements

State:	*Average acres per agreement*
Arkansas	150
California	310
Louisiana	136
Michigan	19
Minnesota	50
Mississippi	162
Montana	116
Nebraska	57
Ohio	36
North Dakota	133
South Dakota	109
Wisconsin	53
Toal	111

Mr. DURBIN. How many agreements expired on December 31, 1992?

Mr. WEBER. There were 495 agreements that expired on that date.

Mr. DURBIN How many new agreements were entered into so far this fiscal year?

Mr. WEBER. As of February 28, 64 agreements have been entered into for the 1993 WBP. However, many States do not conduct signup until spring and the weather often does not permit an evaluation of offered WBP acreage until after the snow melts, so it is too early for most agreements to be finalized for FY 1993.

EMERGENCY CONSERVATION PROGRAM

Mr. DURBIN. For the record, please provide a list of the States and the funds obligated for each under the Emergency Conservation Program in fiscal year 1992 and so far in fiscal year 1993.

Mr. WEBER. I would be happy to.

[The information follows:]

Emergency Conservation Program Obligations

State	1992 Actual	1993 as of March 31
Ongoing Program:		
Alabama	$5,956	$89,450
Arizona	14,129	1,895
Arkansas	−42,802	−30,629
California	65,828	24,337
Caribbean Area	152,379	−4,330
Colorado	16,608	0
Connecticut	25,147	12,336
Florida	7,983	492,017
Georgia	327,026	333,841
Hawaii	93,406	112,722
Idaho	838,416	237,543
Illinois	91,069	0
Indiana	38,516	121,112
Iowa	548,123	230,880
Kansas	−1,108	−1,385
Kentucky	0	19,680
Louisiana	84,720	−40,084
Maine	7,747	0
Massachusetts	−4,708	0
Michigan	−376	38,617
Minnesota	0	1,280
Mississippi	19,156	218,962
Missouri	451,299	25,940
Montana	1,005,873	−248,011
Nebraska	98,801	354,671
Nevada	28,185	129,387
New Hampshire	17,126	0
New Mexico	77,312	−4,893
New York	20,050	−5,300
North Carolina	239,488	−14,843
Ohio	964,730	−33,205
Oklahoma	−84,202	0
Oregon	145,686	−13,145
Pennsylvania	103,209	53
South Carolina	97,840	547,813
South Dakota	1,282,327	79,773
Tennessee	0	0
Texas	3,755,648	34,071
Utah	15,170	0
Vermont	7,819	7,181
Virginia	43,815	14,010
Washington	434,462	9,668
West Virginia	11,271	−3,877
Wisconsin	−18,767	943
Wyoming	24,149	1,658
Undistributed	−749,075	−218,581
ASCS Subtotal	10,259,431	2,521,557
Hurricanes Andrew & Iniki, Typhoon Omar:		
Florida	0	6,915,310
Guam	0	9,700
Hawaii	0	1,998,849
Louisiana	0	502,937
Mississippi	0	7,375
Undistributed	0	−754,734
ASCS Subtotal	0	8,679,437
ASCS Total	10,259,431	11,200,994
SCS Technical Assistance	752,279	973,945
Total Obligations	$11,011,710	$12,174,939

NOTE: Negative obligations represent deobligation of prior years' obligations.

Mr. DURBIN. What is the backlog, if any, of projects requesting ECP funding?

Mr. WEBER. Under the regular 1993 ECP there are currently no requests pending from States. The unallocated balance as of today is just under $3 million. However, we do have about $31.4 million in unfunded requests pending from 1992 damage caused by Hurricanes Andrew and Iniki. Florida has requested about $26.7 million, Louisiana about $4.2 million, and Hawaii $500 thousand. The $27 million supplemental provided for 1992 has been completely allocated.

Mr. DURBIN. Provide a listing of ECP practices and the amount of funds that were spent on each during fiscal year 1992.

Mr. WEBER. The requested listing is provided for the record.

[The information follows:]

1992 Outlays for ECP practices

Practice No. and name:	*Cost-shares*
EC1, Removing Debris From Farmland	$780,053
EC2, Grading, Shaping, Releveling, or Similar Measures	2,033,804
EC3, Restoring Permanent Fences	793,334
EC4, Restoring Structures and Other Installations	2,293,231
EC5, Emergency Wind Erosion Control Measures	885
EC6, Drought Emergency Measures	2,952,870
Total [1]	$8,854,177

[1] Includes $752,297 for technical assistance.

FORESTRY INCENTIVES PROGRAM

Mr. DURBIN. For the Forestry Incentives Program for fiscal year 1992, were there any waivers granted for the 1,000-acre limit?

Mr. WEBER. Yes, in fiscal year 1992, seven waivers were granted.

Mr. DURBIN. What criteria are used in granting these waivers?

Mr. WEBER. State ASC Committees may grant waivers for producers owning 1,000 to 5,000 acres, if the practice requested provides significant benefits to the public, which means primarily cost-effective timber production, with related benefits to aesthetics, recreation, wildlife habitat, watershed protection, and erosion reduction.

Mr. DURBIN. Provide a table showing the amount available to the program and the number of participants in the program for fiscal years 1987 through 1992.

Mr. WEBER. The requested table is provided for the record.

[The information follows:]

FORESTRY INCENTIVES PROGRAM—FUNDING AND NUMBER OF PARTICIPANTS

[Fiscal years 1987 through 1992]

Fiscal year	Appropriation	No. of participants
1987	$11,891,000	4,060
1988	11,891,000	5,168
1989	12,446,000	5,048
1990	12,446,000	4,760
1991	12,446,000	5,417
1992	12,446,000	5,179

Mr. DURBIN. There is a cap on the payments and limitations for the program of $10,000. How many participants received a pay-

ment in fiscal year 1992 and of these how many received the payment cap?

Mr. WEBER. In fiscal year 1992 payments of $11,736,086 were made to 5,179 participants. Data on payments to individuals is on a calendar year basis, and it shows that during calendar year 1992 there were 37 payments of $10,000 each.

Mr. DURBIN. Since the program was started in fiscal year 1975, what have the total payments been and what would the current estimated value be of all trees planted under this program?

Mr. WEBER. From fiscal year 1975 through 1992, $194.7 million in cost shares has been paid to participants. The current estimated value of all trees planted under FIP is $440.2 million. The current value is derived from the revenues expected from harvest. Rotations to economic maturity range from 40 to 50 years in the South to over 100 years in the West.

Mr. DURBIN. For the record, please provide a listing of the practices allowed under this program and the percentage of funds allocated to each practice during fiscal year 1992.

Mr. WEBER. I will be happy to do that.

[The information follows:]

Forestry Incentives Program—percentage of cost-shares by practice, fiscal year 1992

Practice No. and Name:	*Percent of total cost shares*
FP1 Planting Trees (Including Site Preparation)	85.92
FP2 Improving a Stand of Forest Trees	13.05
FP3 Site Prep for Natural Regeneration	1.03
Total	100.00

Mr. DURBIN. What are the States' minimum and maximum cost-share levels for each practice? Provide a listing, by State, of the cost-share percentages allowed for each practice.

Mr. WEBER. States are permitted to set maximum cost-share levels of 65 percent for each practice but may set them lower. Some States establish their rates at the lower of a specified percentage of cost or fixed amount per acre.

I'll provide a table showing the percentages actually used in each State during FY 1992.

[The information follows:]

FIP Maximum Cost-Share Levels

State	FP1 Planting Trees	FP2 Improving a Stand of Forest Trees	FP3 Site Preparation for Natural Regeneration
Alabama	65	65	65
Alaska	65	65	65
Arizona	65	65	65
Arkansas	50	50	50
California	65	65	65
Colorado	65	65	65
Connecticut	65	65	65
Delaware	65	65	65
Florida	65	65	65
Georgia	65	65	65
Hawaii	65	65	--
Idaho	65	65	65
Illinois	65	65	65
Indiana	65	65	65
Iowa	65	65	65
Kansas	65	65	--
Kentucky	65	65	65
Louisiana	50	50	50
Maine	65	65	65
Maryland	65	65	65
Massachusetts	50	50	--
Michigan	65	65	--
Minnesota	65	65	65
Mississippi	65	65	65
Missouri	65	65	65
Montana	65	65	65
Nebraska	65	65	--
Nevada	65	65	--

New Hampshire	65	65	65
New Jersey	65	65	65
New Mexico	65	65	65
New York	65	65	65
North Carolina	50	50	50
North Dakota	65	65	--
Ohio	65	65	65
Oklahoma	65	65	65
Oregon	65	65	--
Pennsylvania	65	65	65
Puerto Rico	65	65	--
Rhode Island	65	65	65
South Carolina	65	65	65
South Dakota	60	65	65
Tennessee	65	65	65
Texas	50	50	--
Vermont	65	65	65
Virginia	65	65	65
Washington	65	65	65
West Virginia	65	65	65
Wisconsin	65	65	65
Wyoming	65	65	--
U.S. Average	63	64	64

DAIRY INDEMNITY PROGRAM

Mr. DURBIN. Provide a list of States that received dairy indemnity payments in fiscal year 1992 and how much each received.

Mr. WEBER. I will provide that for the record.

[The information follows:]

Fiscal year 1992 Dairy Indemnity Program

State:	*Payments*
Alabama	$9,943
Florida	55,632
Georgia	6,824
Illinois	61,358
Indiana	287
Kansas	5,566
Mississippi	2,510
Missouri	16,045
Nebraska	3,021
Oklahoma	1,299
Tennessee	5,439
Texas	8,840
Wisconsin	30,261
Undistributed	−75,374
Total program net payments	$131,651

Mr. DURBIN. Do you anticipate any payments to be made in fiscal year 1993?

Mr. WEBER. The current estimate is that approximately $100 thousand will be paid on claims in FY 1993. As of today, payments of $85,397 have been made. I will provide to you a table showing 1993 payments by State.

[The information follows:]

DAIRY INDEMNITY PROGRAM

[As of March 31, 1993]

State	Contaminant	Payments
Arizona	DDE Pesticide	$16,784
Florida	Aflatoxin	11,015
Georgia	Aflatoxin	9,004
Illinois	Aflatoxin	537
Kansas	Aflatoxin	2,455
Missouri	Aflatoxin	2,204
Nebraska	Heptachlor/Epoxide/Dieldrin	12,216
Ohio	Heptachlor/Epoxide/Dieldrin	18,745
Texas	Aflatoxin	12,437
Total		85,397

Mr. DURBIN. We have been providing the program an appropriation of $5,000 per year since 1989 to keep it going. How much is currently available in the Treasury?

Mr. WEBER. We currently have $628 thousand in unallocated funds available to respond to Dairy claims.

COMMODITY CREDIT CORPORATION CREDIT GUARANTEES

Mr. DURBIN. The Commodity Credit Corporation guarantees loans made by U.S. banks to finance the sale of agricultural prod-

ucts to foreign governments. Would you please provide for the record the amount of loan guarantees currently outstanding, by country, and indicate the current status of each of these loans?

Mr. WEBER. Yes.

[The information follows:]

ESTIMATED CCC EXPORT CREDIT GUARANTEES OUTSTANDING
As of March 31, 1993
(dollars in millions)

Country	*Estimated Contingent Liability*	*Rescheduled Outstanding*	*Claims Outstanding*	*ESTIMATED TOTAL OUTSTANDING*	*STATUS*
Algeria	$1,143.5			$1,143.5	C
Angola	4.6			4.6	C
Argentina	0.2		0.1	0.3	D
Bangladesh	12.2			12.2	C
Brazil		114.7		114.7	C
Chile	0.9	11.5		12.4	C
Colombia	13.8			13.8	C
Cote d'Ivoire	0.8			0.8	C
Czech Republic	0.0			0.0	
Czechoslavia	1.3			1.3	C
Dominican Republic		119.4	32.1	151.5	R
Ecuador	49.1			49.1	C
Egypt	27.9	230.9	0.0	258.8	C
El Salvador	11.2	20.2		31.4	C
Ghana	0.3			0.3	C
Guatemala	17.7			17.7	C
Honduras		26.2	2.0	28.2	D, A
Hungary	2.7			2.7	C
Indonesia	23.3			23.3	C
Iraq	77.1		1,593.6	1,670.7	D
Jamaica		50.2		50.2	A
Jordan	136.0	8.8		144.8	A
Kenya	10.5			10.5	C
Korea	381.4			381.4	C
Mexico	2,241.3	268.8		2,510.1	C
Morocco	213.0	151.0		364.0	A
Nigeria			0.1	0.1	D
Pakistan	391.0			391.0	C
Panama	4.3	1.9		6.2	C
Peru		520.1		520.1	C
Philippines		40.6		40.6	A
Poland		1,735.7	0.0	1,735.7	A
Romania	48.3			48.3	C
Russia	817.1			817.1	C
Senegal	12.2			12.2	C
Soviet Union	2,412.0		263.6	2,675.6	R
Sri Lanka	94.2			94.2	C
Sudan		61.2		61.2	A
Suriname	4.4		8.4	12.8	D
Trinidad & Tobago	81.9			81.9	C
Tunisia	107.2			107.2	C
Turkey	50.5			50.5	C
Ukraine	185.9			185.9	C
Venezuela	148.7			148.7	C
Yemen	65.5			65.5	C
Yugoslavia	0.0		3.7	3.7	D
Zimbabwe	20.6			20.6	C
Tanzania (Zanzibar)			4.0	4.0	D
Total	$8,812.6	$3,361.3	$1,907.7	$14,081.6	

LEGEND:
- A - Rescheduled payments in arrears.
- C - Current.
- D - Defaulted claims paid, no rescheduling requested.
- R - Rescheduling requested.

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STATUS OF OUTSTANDING LOAN GUARANTEE PAYMENTS

Mr. DURBIN. According to last year's list six countries, the Dominican Republic, Peru, Zanzibar, Suriname, Yugoslavia, and Iraq were behind in their payments. What is the current status of each of these?

Mr. WEBER. I will list the current status of these countries for the record.

[The information follows:]

Dominican Republic: Claims in the amount of $14,153,007 were paid by CCC in prior years and are still outstanding. Under the 1991 rescheduling, this amount was due and payable on or before June 30, 1992 and remains past due.

Peru: All claims previously paid by CCC were included in the 1991 rescheduling and consequently, no claims are outstanding.

Zanzibar (Tanzania): Claims totaling $4,021,509 were paid by the CCC in fiscal year 1989 and are still outstanding. No rescheduling of this amount is anticipated in the near future.

Suriname: Claims totaling $8,427,496 were paid by the CCC and are still outstanding. No rescheduling of this amount is anticipated in the near future.

Yugoslavia: Claims totaling $3,690,312 were paid by the CCC and are still outstanding. No rescheduling of this amount is anticipated in the near future.

Iraq: Claims in the amount of $2,078,473,259 have been received by the CCC as of March 28, of which $1,579,676,910 have been paid to U.S. banks by CCC.

STATUS OF GRAIN SHIPMENTS TO RUSSIA

Mr. DURBIN. Russia and the former Soviet Union have defaulted on loans for grain sales under the GSM program in the amount of $523.2 million. The Secretary has said recently that the Administration is moving toward resolution on grain that Russia bought under the program but was not shipped when it defaulted on loans. For the record, describe the situation in detail and provide an update as to the current status of the issue.

Mr. WEBER. The U.S. exporters that had sales approved by CCC but not yet shipped at the time Russia defaulted have been informed that CCC is willing to consider requests to amend the payment guarantees provided such changes have been agreed to with the Russian buyer and the only contingency preventing shipment would be CCC's approval. It is estimated that approximately $240 million of sales remained unshipped at the time of Russia's default. As of March 31, 1993, approximately $120 million of outstanding sales covered by CCC payment guarantees have been amended and approved by CCC for shipment. It is now the exporter's responsibility to ensure that shipment is made in accordance with CCC's approval.

COMMODITY CREDIT CORPORATION CREDIT GUARANTEES

Mr. DURBIN. For the record, provide a list of export credit guarantees of former bloc countries.

[The information follows:]

Export credit guarantees to former Eastern European bloc countries, as of March 31

[In millions of dollars]

Czechoslovakia	$1.3
Hungary	2.7
Romania	48.3
Total	$52.3

Mr. DURBIN. At last year's hearing Mr. Bjerke told the Committee that claims totalling $1.012 billion were paid by CCC under the guarantee program for Poland and that of this amount almost $800 million was written off as a CCC realized loss. What is the status of the remaining $212 million?

Mr. WEBER. The remaining $212 million along with other amounts owed CCC by Poland were included in the 1991 rescheduling and are to be repaid by 2009. As of March 31, Poland is current on all payments due under this rescheduling.

ANALYSIS OF CCC BORROWING AUTHORITY

Mr. DURBIN. For the record, please provide a table showing an analysis of CCC's borrowing authority in use at the end of fiscal year 1992 and on January 31, 1993.

Mr. WEBER. For the record, I will furnish an analysis of borrowing authority in use as of September 30, 1992, versus borrowing authority in use as of January 31, 1993. This table provides a detailed description of CCC investments and the borrowing authority available for use. Although selected components of borrowing authority in use may exceed $30 billion at a point in time, other financing items which are shown on the table are sufficient to keep CCC within the total ceiling of $30 billion.

[The information follows:]

COMMODITY CREDIT CORPORATION

Analysis of Borrowing Authority in Use as of September 30, 1992 (Actual) vs. January 31, 1993 (Estimate)

(millions of dollars)

ITEM	September 30, 1992 (Actual)	January 31, 1993 (Estimate)
INVESTMENT IN:		
Commodity loans outstanding	1,766.6	6,779.2
(regular)	(1,697.3)	(6,715.4)
(reserve)	(69.3)	(63.8)
Commodity inventories	1,734.2	1,658.7
Storage facility loans outstanding	2.3	1.9
Export credit sales loans outstanding	54.3	54.3
Consolidated rescheduled export credit outstanding	539.0	539.0
Funds owed CCC for wool act program	191.1	4.1
Advances to producers	0.3	90.3
All other (interest due CCC, cash, and other assets and receivables)	1,604.1	1,013.4
Subtotal	5,891.9	10,140.9
UNREIMBURSED REALIZED LOSSES:		
1989 losses	2,468.8	2,468.8
1990 losses	674.0	24.1
1991 losses	11,974.2	3,424.1
1992 losses	11,556.4	11,741.8
1993 losses	0.0	1,038.3
Subtotal	26,673.4	18,697.1
TOTAL, ABOVE ITEMS	32,565.3	28,838.0
LESS: Financing other than by use of borrowing authority (-):		
Capital stock	-100.0	-100.0
Appropriated Capital	-112.0	0.0
Unexpended balance of PL 480 funds	-709.2	-1,576.3
Accrued interest on Treasury borrowings	-23.0	-19.0
Accrued producer payments	-6,436.7	-4,835.3
Payable to Treasury	-2,896.6	-2,896.6
Trust and deposit liabilities, and all other liabilities	-2,249.4	-2,121.4
TOTAL, ABOVE ITEMS	-12,526.9	-11,548.6
Total borrowing authority in use	20,038.4	17,289.4
Total borrowing authority available	9,961.6	12,710.6

CCC INTEREST RATE

Mr. DURBIN. What is the current interest rate Treasury charges on CCC borrowings?

Mr. WEBER. The rate varies monthly. The current interest rate Treasury charges on CCC borrowings is 3.375 percent per annum for March 1993.

CCC INVENTORY

Mr. DURBIN. Would you please provide the latest available figures on CCC's inventory, giving both quantity and dollar values, by commodity?

Mr. WEBER. Yes, I would be happy to.

[The information follows:]

COMMODITY CREDIT CORPORATION

Status of CCC Inventory as of January 31, 1993

(in millions)

Item	Quantity	Dollars
Corn (bushel)	105.7	$277.0
Grain sorghum (bushel)	7.5	19.5
Barley (bushel)	5.5	10.5
Oats (bushel)	0.0	0.1
Total feed grains	118.7	307.1
Wheat (bushel)	164.7	619.7
Rice, rough (hundredweight)	0.5	3.1
Soybeans (bushel)	0.7	3.5
Honey (pound)	3.5	1.6
Rye (bushel)	0.0	0.0
Upland cotton (bales)	0.0	1.6
Minor Oilseeds (hundredweight)	0.2	2.0
Dairy products		
Butter (pound)	579.0	526.6
Butter oil (pound)	59.0	126.0
Cheese (pound)	7.5	8.2
Milk, dried (pound)	48.8	44.5
Mozzarella (pound)	5.6	7.5
Total dairy	699.9	712.8
All other commodities	XXX	7.3
Total inventory	XXX	1,658.7

NOTE: Amounts reflect CCC Financial Management System records and include commodities committed to sale or otherwise obligated.

CCC DONATIONS AND SALES

Mr. Durbin. Also, would you please provide a detailed description of commodities provided from CCC inventory to other government programs including the quantity provided and its market value as well as any reimbursement you received in fiscal year 1992.

Mr. Weber. The entire value of CCC domestic and export donations is charged off as a loss. The value of export sales to the Department of Defense is partially offset by limited recoveries.

The donation of surplus dairy products to the Veteran's Administration and the Department of Defense is authorized by section 202 of the Agricultural Act of 1949, as amended. Section 210 of the Agricultural Act of 1956 authorizes the donation of surplus commodities in CCC inventory to Federal penal and correctional institutions. Institutional donations to Research and Other includes miscellaneous donations, as authorized in Section 505 of the Agricultural Act of 1958, as amended.

Surplus commodities are also distributed to charitable institutions, non-profit school lunch programs, food banks, soup kitchens and similar non-profit agencies. Section 416 of the Agricultural Act of 1949, as amended, is the statutory authority for making donations to State, Federal, or private agencies in the United States, including areas under the jurisdiction or administration of the United States. The Emergency Food Assistance Act authorized the release of commodities to relieve situations of emergency and distress to needy persons, including low-income and unemployed persons.

The export donation of surplus commodities is accomplished through foreign governments and public and nonprofit, private humanitarian organizations for the assistance of needy persons outside the U.S. These donations are authorized by section 416(b) of the Agricultural Act of 1949, as amended, and include Food for Progress donations.

I will provide additional information for the record.

[The information follows:]

COMMODITY CREDIT CORPORATION
DONATIONS AND SALES TO OTHER GOVERNMENT AGENCIES FROM INVENTORY
FISCAL YEAR 1992 ACTUAL
(In Thousands)

Commodity		DONATIONS																						SALES		
		INSTITUTIONS										Total Institutions		School Lunch Sec. 416		Needy Families Sec. 416 - TEFAP		Total Domestic Donations		Total Domestic Donations Sec. 416		Export Donations Sec. 416		Export Sales Department of Defense		
		Research and Other		Mil & Vet. Sec 202		Prisons Sec. 210		Indian Aff. Sec. 407		Institutions Sec. 416																
		Qty	Value	Qty	Value	Qty	Value	Qty	Value	Qty	Value	Qty	Value	Qty	Value	Qty	Value	Qty	Value	Qty	Value	Qty	Value	Qty	Value	Proceeds
Corn	Bu	177	505									177	505					177	505			47,110	142,134			
Corn Flour	Lb									1,192	211	1,192	211					1,192	211	1,192	211					
Corn Grits	Lb									1,876	242	1,876	242					1,876	242	1,876	242					
Corn Meal	Lb									16,369	1,761	16,369	1,761	7,008	733	46,853	5,546	70,230	8,040	70,230	8,040					
T. CN PROD	Lb									19,437	2,214	19,437	2,214	7,008	733	46,853	5,546	73,298	8,493	73,298	8,493					
Gr. Sorghun	Bu																					14,783	39,800			
Barley	Bu							87	138			87	138					87	138							
Oat Products	Lb									6,840	1,236	6,840	1,236					6,840	1,236	6,840	1,236					
Wheat	Bu	20	80									20	80					20	80							
Wheat Flour	Lb									90,815	11,308	90,815	11,308	234,026	27,893	122,846	16,618	447,687	55,819	447,687	55,819	24,033	3,033			
Bulgur	Lb																					12,607	1,273			
R. Wheat	Lb									1,128	177	1,128	177					1,128	177	1,128	177					
Macaroni	Lb									21,267	4,767	21,267	4,767					21,267	4,767	21,267	4,767					
Milled Rice	Cwt									94	1,783	94	1,783	62	1,189			156	2,972	156	2,972	202	2,835			
Brown Rice	Cwt									2	33	2	33	2	22			4	55	4	55					
TOTAL RICE	Cwt									96	1,816	96	1,816	64	1,211			160	3,027	160	3,027	202	2,835			
Soybean Prod	Lb																									
Honey	Lb									3,628	2,348	3,628	2,348			36	29	3,664	2,377	3,664	2,377					
Up. Cotton	Bale																									
Butter	Lb	849	935	6,333	6,675	1,484	1,534			49,566	56,478	58,232	65,622	74,230	87,478	63,995	75,008	196,457	228,108	187,791	218,964	21,140	22,154	228	234	118
Butteroil	Lb													106	166			106	166	106	166	35,012	52,147			
Cheese	Lb	618	751	1,973	2,485	1,026	1,284			10,883	12,987	14,500	17,507			-446	-581	14,054	16,926	10,437	12,406			503	637	289
N. Dried Milk	Lb	42	36			2	2			7,800	6,785	7,844	6,823					7,844	6,823	7,800	6,785	73,183	63,973	3,209	2,789	1,311
Mozz. Cheese	Lb													-16	-20			-16	-20	-16	-20					
Infant Formula	Lb																					4,053	7,635			
T. DAIRY	Lb	1,509	1,722	8,306	9,160	2,512	2,820			68,249	76,250	80,576	89,952	74,320	87,624	63,549	74,427	218,445	252,003	206,118	238,301	133,388	145,909	3,940	3,660	1,718
S. Oil, SY	Lb									32,358	9,686	32,358	9,686					32,358	9,686	32,358	9,686	62,715	14,542			
Vegetable Oil	Lb									21,067	7,710	21,067	7,710					21,067	7,710	21,067	7,710					
T.VEG OIL	Lb									53,425	17,396	53,425	17,396					53,425	17,396	53,425	17,396	62,715	14,542			
Peanut Butter	Lb									15,883	13,129	15,883	13,129					15,883	13,129	15,883	13,129					
Peanut Gran.	Lb									453	439	453	439					453	439	453	439					
Rolled Peanuts	Lb									4,468	4,281	4,468	4,281					4,468	4,281	4,468	4,281					
T.NUT PROD	Lb									20,804	17,849	20,804	17,849					20,804	17,849	20,804	17,849					
Dry Edible Beans	Cwt																					87	2,345			
Dry Whole Peas	LB																					6,417	1,333			
TOTAL DONATIONS		XXX	2,307	XXX	9,160	XXX	2,820	XXX	138	XXX	135,361	XXX	149,786	XXX	117,461	XXX	96,620	XXX	363,867	XXX	A/ 349,442	XXX	353,204	XXX	3,660	1,718

A/ REFLECTS PORTION OF TOTAL DOMESTIC DONATIONS MADE UNDER SECTION 416 ONLY.
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09-Apr-93

FARMER-OWNED RESERVE PROGRAM

Mr. DURBIN. What is the status of the on-farm grain reserve? How many bushels are in the reserve and what are the annual costs of the reserve?

Mr. WEBER. As of March 23, 1993, approximately 32 million bushels of 1990-crop wheat were in the Farmer-Owned Reserve. The 1990-crop wheat Farmer-Owned Reserve loans will begin to mature on June 30, 1993, with the last loans maturing on January 31, 1994. Eligible producers of the 1992 crops of barley, corn, and grain sorghum have until April 30, 1993, to state their intentions to enter the Farmer-Owned Reserve. Data on total Farmer-Owned Reserve intentions for each commodity will be available on May 6, 1993.

Storage payments of $14,156,000 were made to producers in fiscal year 1992. Payments are estimated at $18,640,000 in fiscal year 1993 and $67,380,000 in fiscal year 1994. The loan outlays and loan repayment for the grain reserve program are included with the regular commodity loan program.

Mr. DURBIN. Producers putting commodities under loan and entering the reserve are responsible to maintain the quantity and quality of the grain while under loan. Reserves are inspected annually by ASCS county office personnel and if a problem with either quantity or quality is discovered the loan may be called resulting in the producer having to repay the loan principal charges plus interest. Did you uncover any problems during fiscal year 1992?

Mr. WEBER. We have not received reports of any major problems for fiscal year 1992.

CCC PRICE SUPPORT AND EXPORT GUARANTEE FUNDING

Mr. DURBIN. How much is available for CCC export credit guarantee activities and how much is available for all other CCC activities?

Mr. WEBER. Under the Budget Enforcement Act of 1990, Title XIII of the Omnibus Budget Reconciliation Act of 1990, a permanent, indefinite appropriation for CCC's Export Credit Guarantee Programs—GSM 102 and GSM 103—is authorized to cover the subsidy costs of fiscal year 1992 and each succeeding year's activities. The fiscal year 1994 appropriation represents the present value of CCC's estimated net cash flows over the lifetime of the credit guarantees made available in fiscal year 1994. This activity is not financed by the Corporation's $30 billion borrowing authority. Because this program falls under the Federal Credit Reform Act of 1990, USDA requests from the Department of Treasury through the Office of Management and Budget funds which cover the subsidy cost of this program. These funds reside in a separate credit reform account and are not commingled with other CCC program activities.

OPTIONS PILOT PROGRAM

Mr. DURBIN. The 1990 Farm Bill authorized a pilot options program for farmers to use futures contracts rather than traditional government price supports. The Technical Corrections Bill, which passed in 1991, directed USDA to take the funds directly from other sources to operate the program. I understand the pilot pro-

gram will be offered in three counties in Iowa, three counties in Illinois, and three counties in Indiana. It will be limited to corn in Iowa and Indiana and corn, wheat, and soybeans in Illinois. I also understand that the program has run into some tax problems. What is the status of this initiative? Are you going forward with the program? Have you finalized the rules and regulations?

Mr. WEBER. Signup for the Options Pilot Program began March 1 and continues through April 30 in the 9 selected counties. The Notice of Determination to be published in the Federal Register will be proposed shortly. ASCS, Extension Service and the Chicago Board of Trade have conducted meetings to teach producers about options as a marketing tool. Based on the early numbers of enrolled producers, there appears to be a genuine interest in the program. Information regarding IRS's position on the treatment of put gains and losses is provided to all producers. In addition, the Appendix to the ASCS contract includes a statement advising producers that there are significant tax consequences with respect to participation in this program. The statement encourages producers to seek the advice of a competent tax advisor who is familiar with option contracts.

Mr. DURBIN. This project is authorized to go through fiscal year 1995. What have you spent to date on this program and what are your estimates through fiscal year 1995?

Mr. WEBER. Sign-up for the Options Pilot Program will continue through April 30. Costs for premiums and incentive payments will be incurred after sign-up is over. Budget estimates assume outlays of $16.1 million for the 1993-crop options pilot program in fiscal year 1993. These costs include $13.0 million in premium costs, $2.7 million in incentive payments, and $400 thousand in delivery and administrative expenses. An additional $100 thousand in administrative costs for the 1993 program would be obligated in fiscal year 1994. However, the premiums paid to farmers to purchase trading options which would lock in grains equivalent to deficiency payments would, over time, be equivalent to the deficiency payments. Participants, as you know, are not eligible for deficiency payments on the production participating in the target price put option program. Thus, the net cost of the program would equal the cost of the incentive payments and program administration. The budget does not include costs of extending the 1993 pilot program to the 1994 and 1995 crops.

COUNTY OFFICE EMPLOYMENT

Mr. DURBIN. Update the table that appears on page 454 of last year's hearing record showing the number of ASCS county employees by State to include fiscal year 1992.

Mr. WEBER. Yes, sir.

[The information follows:]

NUMBER OF PERMANENT FULL-TIME COUNTY OFFICE EMPLOYEES
AS OF SEPTEMBER 30 FOR FISCAL YEARS 1988-1992
(INCLUDING COUNTY OPERATIONS TRAINEES)

STATE	1988	1989	1990	1991	1992
Illinois	743	733	731	707	699
Indiana	490	494	485	477	476
Iowa	872	873	858	843	833
Michigan	278	273	297	310	311
Minnesota	596	592	521	501	484
Missouri	482	481	502	515	514
Ohio	403	414	415	419	421
Wisconsin	363	366	400	394	391
Midwest Area	**4,227**	**4,226**	**4,209**	**4,166**	**4,129**
Connecticut	22	21	19	20	21
Delaware	15	15	15	15	15
Maine	38	40	40	37	40
Maryland	65	64	63	62	64
Massachusetts	19	19	20	23	23
New Hampshire	18	18	18	16	16
New Jersey	23	25	27	26	25
New York	156	161	155	159	163
Pennsylvania	205	208	209	217	217
Rhode Island	4	3	4	4	4
Vermont	27	27	26	27	25
West Virginia	109	111	110	108	108
Northeast Area	**701**	**712**	**706**	**714**	**721**
Alaska	4	4	4	7	8
Idaho	154	154	152	143	144
Montana	206	201	198	208	211
Nebraska	645	648	646	651	648
North Dakota	451	460	446	451	446
Oregon	98	96	97	98	98
South Dakota	405	408	414	405	404
Washington	118	122	123	118	117
Wyoming	55	55	53	52	54
Northwest Area	**2,136**	**2,148**	**2,133**	**2,133**	**2,130**
Alabama	305	309	311	299	297
Arkansas	289	296	287	291	293
Florida	142	139	140	140	139
Georgia	492	502	504	486	491
Kentucky	371	368	395	423	423
Louisiana	185	188	190	208	206
Mississippi	304	313	313	313	316
North Carolina	498	494	494	504	505
South Carolina	211	209	207	199	199
Tennessee	421	421	426	412	410
Virginia	292	292	294	286	281
Southeast Area	**3,510**	**3,531**	**3,561**	**3,561**	**3,560**
Arizona	37	40	40	40	42
California	143	142	152	148	150
Colorado	166	171	171	174	180
Hawaii	7	7	7	7	8
Kansas	609	608	641	654	655
Nevada	17	18	16	16	16
New Mexico	83	79	78	79	78
Oklahoma	339	332	330	331	321
Texas	947	950	967	1003	1003
Utah	59	55	59	64	64
Southwest Area	**2,407**	**2,402**	**2,461**	**2,516**	**2,517**
Total All Areas	**12,981**	**13,019**	**13,070**	**13,090**	**13,057**

ADMINISTRATIVE SUPPORT

Mr. DURBIN. Your budget is financed largely through direct appropriation, user fees, and transfers, advances, and reimbursements from other sources. Tell us how much and from where you receive all of your funds for fiscal year 1993.

Mr. WEBER. We anticipate receiving a total of $806,613,000 for ASCS salaries and expenses in FY 1993. Those funds consist of $712,926,000 appropriated by Congress, minus an authorized transfer of $212,000 to the Office of the Secretary, $8,433,000 in user fees from warehouse examination activities, $1,625,000 in transfers from the CCC Export Guarantee Program account, and $83,841,000 in advances and reimbursements. The advances and reimbursements include, on a one-time basis, $22,000,000 representing several years of accumulated loan services fees collected from producers that must be used now to finance agency workload, especially disaster program activity.

Mr. DURBIN. ASCS has a long-term initiative underway to upgrade its ADP systems over the next several years. What is the status of this program?

Mr. WEBER. ASCS has an initiative called System Technology and Telecommunications Enhancement Program or "STEP" which was primarily the replacement system for the current IBM System 36's in State and county offices with implementation to begin in fiscal year 1995. The Department is now coordinating this effort under an initiative called USDA Info Share Program. However, the President's FY 1994 Budget currently has included no funding for ASCS, S(or FmHA in future years for STEP or the USDA Info Share P ,ram.

Mr. ! RBIN. Last year ASCS projected using CCC funds for major ADP equipment purchases in fiscal years 1993 through 1997. Language was included in the 1993 appropriations bill limiting the amount that could be taken from CCC for computer hardware and software purchases. What effect has this had on your agency or has the initiative underway to streamline USDA from Washington down to the county level delayed your ADP upgrading efforts?

Mr. WEBER. The language limits the amount that can be used from CCC funds for all types of fiscal year 1993 ADP related expenditures, not just hardware and software purchases, for initiatives in the ASCS Long-Range Plan, called "Class 1" initiatives. The Long-Range Plan represents initiatives that have been partially implemented or are to be undertaken by ASCS in order to incorporate the leading edge of new technology into ASCS operations. When this limitation was imposed, ASCS reviewed all initiatives in the ASCS Long-Range Plan. The major thrust during fiscal year 1993 must be to maintain the IBM System 36's in our State and county offices and to not interrupt services provided to the farming community. Many other planned procurements have been postponed or cut back to stay within the imposed limitation. Postponed are the purchase of personal computers and peripherals, including connectivity to the installed Local Area Network, for ASCS Kansas City offices. This impacts programmatic performance and connectivity within the Kansas City complex as well as connectivity to headquarters offices. Also postponed were additional personal com-

puters and peripherals for State offices, the use of document imaging, and pilots for backward engineering, standard tools and methodologies and a Geographic Information System Pilot. Lower funding is also affecting the implementation of the Chief Financial Officer's Act and the Federal Credit Reform Act of 1990 which involve CCC accounting systems, foreign program support and all feeder accounting systems.

DATA SHARING

Mr. DURBIN. You have been conducting several pilot tests with the Soil Conservation Service on electronic data sharing of farm and tract information and hope to expand this to conservation related information. What is the status of this initiative?

Mr. WEBER. ASCS and SCS have successfully completed the pilots to exchange data and have moved forward to implement a system nationwide. Software for data sharing has been distributed to all States by both agencies.

Regarding conservation information, ASCS and SCS have been working jointly on an interagency requirements agreement. This document, referred to as a Joint Application Design report, is currently being redrafted for final review and publication. When complete, the JAD report will contain mutually agreed upon design parameters for data-share requirements of the Conservation Reporting and Evaluation System form AD–862.

Mr. DURBIN. Mr. Skeen?

USDA RESTRUCTURING

Mr. SKEEN. Thank you, Mr. Chairman, Mr. Weber and company. Welcome.

Let me ask you a question. We had the SCS in here yesterday in which we discussed belt tightening and potential budget restrictions and so forth. Are there any advantages or disadvantages to combining or consolidating ASCS with SCS?

Mr. WEBER. I certainly think there are advantages to restructuring. There are potential efficiencies in combining agencies.

Mr. SKEEN. From an overall budgetary standpoint.

Mr. WEBER. From an overall budgetary standpoint, yes, I do believe that there are efficiencies to gain in the long run.

Mr. SKEEN. Is there serious consideration being given to this idea or proposal within the Department of Agriculture?

Mr. WEBER. Certainly that concept is being looked at, yes.

Mr. SKEEN. The consolidation of offices proposal is a valid consideration, because you work so close together. They usually co-exist in the same office structures in many of the rural areas in the Western part of the United States, anyway.

Mr. WEBER. We are all trying to get a job done, and that is the important thing, whether it is done under separate agencies or under a Farm Service Agency.

Mr. SKEEN. Well, it seems to me like a logical proposal because we are losing field personnel in the SCS in some areas, because there is an inability to attract the kind of technical personnel that you need in these offices. So it would seem to me like this consideration of efficiency could accrue to some budgetary saving.

DATA SHARE

Let me ask you too, in the data processing area. What is happening in the networking situation or proposal that ASCS has been undertaking over some time in this data processing?

Mr. WEBER. We are continuing to work with the Soil Conservation Service on a nationwide data sharing project to electronically transfer——

Mr. SKEEN. To improve your——

Mr. WEBER. To improve our electronic data transmissions.

Mr. SKEEN. I think it is almost vital with the information base that you have to deal with.

Mr. WEBER. Yes. We already have things underway at the Department to look at the whole arena of data on a USDA basis rather than an individual agency basis so that we can get——

Mr. SKEEN. So the whole agency would be networked?

Mr. WEBER. Right. So that when we buy equipment, we can talk to each other. Right now we have a little difficulty in talking to each other electronically.

Mr. SKEEN. That is unfortunate.

Mr. WEBER. Yes, it is.

Mr. SKEEN. Dependent as we are on the informational exchange. Do you have any specific item in your budget that reflects a request from your agency for funding for your improved data processing and software?

Mr. WEBER. No specific funding has been requested at this time pending an overall assessment of the Department's Info Share program for the Farm Service Agency.

DISASTER PROGRAM OVERPAYMENTS

Mr. SKEEN. Give me an update on what you are doing on the disaster payment overpayment situation that the IG has pinpointed as a real problem.

Mr. WEBER. In those cases where the IG has——

Mr. SKEEN. How much time are you spending on investigations, for instance, on overpayment?

Mr. WEBER. Tom, you may know more about that than I do.

Mr. VONGARLEM. Quite a lot, Congressman.

Mr. SKEEN. Give me a percentage representation of time, if you could. I need something to——

Mr. VONGARLEM. You have a legitimate question. I do not have an legitimate answer, unfortunately, but we will try to provide that for the record.

We do spend quite a lot of time.

Mr. SKEEN. It is a considerable amount?

Mr. VONGARLEM. Yes, sir. We have an internal audit system that we use. We try to make sure that all the county offices double review all the applications. There is a clear concern that we are having problems with the disaster program. The disaster program essentially has been a series of ad hoc programs over the last five years, and it is a little bit difficult to address each one of them, because we get the word that we are going to have a disaster program sometimes a whole year after the disasters actually hap-

pened, and so it is really difficult to quantify and be able to tie producers down on the exact amount of loss.

We get a legislative mandate to implement a disaster program in the field and get it operating in 45 days, and there are some very good, logical reasons for that. Then the IG spends the next three monts looking at that one county and says, oh, you did not do this quite right. I get a little bit cynical about that. But the reality is——

Mr. SKEEN. You hear from the IG?

Mr. VONGARLEM. Yes. We really try very diligently to make sure we are not overpaying. But in the effort to make timely payments to farmers with legitimate losses, you lose some accuracy in the process.

Mr. SKEEN. But is it a major undertaking for your department and is it a major dedication of time and effort?

Mr. VONGARLEM. Yes, sir, it is. I will provide some more information for the record.

[The information follows:]

INVESTIGATION OF DISASTER PROGRAM OVERPAYMENTS

Although the ASCS work measurement system does not capture investigation of disaster overpayments as a separate work item, it is estimated that approximately 29 percent of all time spent on disaster program administration in fiscal year 1992 was related to overpayments. This estimate includes all special reviews, second party review of disaster applications, and County Office Reviewer workdays related to disaster overpayment.

Mr. SKEEN. In these overpayments.

ASCS ROLE IN CROP INSURANCE

Let me ask you, too, what is your response to the idea that ASCS take on some of the responsibilities or take on responsibilities for servicing crop insurance plan?

Mr. WEBER. It is something that has been discussed the last couple of years. We have had a project under way over the last year where we have trained at least a couple of people in each State to sell. That has not been a real successful program to this point. I think we have only had two States in which ASCS has actually sold insurance, so it is——

Mr. SKEEN. Excuse me for interrupting, but do you have any problems with licensing under certain State laws as far as handling insurance or has that been a problem?

Mr. WEBER. I am not aware that that has been a problem.

Mr. SKEEN. That is a requirement of the private sector and I just wondered if it would be for the agency as well.

Mr. WEBER. ASCS people were sent to FCIC for the training that we hope is comparable to the training for licensing of a private sector salesman, but we are not subject to State laws on that because it is a Federal program.

Mr. SKEEN. I was just curious as to how you do not roll over some of the State laws so far as insurance handlers and purveyors is concerned.

Mr. WEBER. In this case we did. We said it is a Federal program, and we have Federal requirements that all of our salesmen must meet, and that has been our position. Yes, sir.

COLORADO RIVER BASIN SALINITY CONTROL PROGRAM

Mr. SKEEN. Well, one of the most important programs in our part of the country has been the Colorado River Basin Salinity Control Program that you play a large part.

It is my understanding that we have had a difficult time keeping the funding levels up enough to accomplish your responsibility. Has this been a problem and continues to be a problem?

Mr. WEBER. Certainly funding has been a problem, but I think with the funding that we have had we have been able to do a fairly good job. We continue to look for ways to do a better job given the funding that we have.

Mr. SKEEN. So you have been able to keep pace with your responsibilities in so far as——

Mr. WEBER. I believe we have, yes.

Mr. DURBIN. With the funding levels that you have?

Mr. WEBER. Yes.

Mr. SKEEN. Appreciate that.

SALT CEDAR PROGRAMS

Now let me ask you one last question about salt cedar programs importance to New Mexico and other areas in the West. It is my understanding that there is some hesitancy on the part of ASCS to get involved in a cooperative project with New Mexico State University because of the isolated nature of the problem, even though it is a tremendous problem in western parts of the country.

Would you comment on that program?

Mr. WEBER. I am sorry, Mr. Congressman. I do not know——

Mr. SKEEN. If not, would you dig up somebody in your Agency who is handling that particular area and give me a synopsis.

Mr. WEBER. We can certainly get a response back to you.

Mr. SKEEN. I would appreciate that very much. Thank you for your responses.

Thank you, Mr. Chairman.

[The information follows:]

ASCS PARTICIPATION IN SALT CEDAR CONTROL

ASCS approved a 1993 Water Quality Incentives Project in Eddy County, New Mexico, to provide incentive payments to control salt cedar and establish native vegetation along the Pecos River. This project addresses a specific water quality problem created by the salt cedar in a limited area.

In general, ASCS provides little assistance for the control of noxious plants due to the great expense and the likelihood that treatment will not be successful. ASCS generally provides assistance to individual producers based on individual program applications. In order for noxious plant eradication to be successful, however, it must be accomplished throughout the entire area of infestation, which usually encompasses more than one farm.

In addition, other factors complicate the issue of noxious plant eradication, including disruption of the ecosystem due to aerial application of herbicides, and the need to reestablish native vegetation where the noxious plant are eliminated.

Mr. DURBIN. Ms. DeLauro?

DISASTER PAYMENTS FOR STORM BETH

Ms. DELAURO. Thank you, Mr. Chairman. Thank you very much, Mr. Weber.

I have some questions about the disaster program, probably very parochial. But in December of 1992, Storm Beth hit my home State of Connecticut as well as hitting other States.

How much did ASCS pay out overall as a result of Storm Beth? Do you know?

Mr. WEBER. I do not know. We will get that for you. I do not know that we have it isolated to Storm Beth.

Ms. DELAURO. Okay.

Mr. WEBER. But we certainly can find that out and get an answer back to you.

[The information follows:]

DISASTER PAYMENTS FOR STORM BETH

Disaster payments of $404.775 were made to Connecticut for losses caused by Storm Beth.

DETERMINATION OF DISASTER PAYMENTS

Ms. DELAURO. Tell me, how was that level of compensation determined for producers?

Mr. WEBER. If it was a crop loss, it was determined on the basis of the actual loss that occurred per producer. If the producer had crop insurance, there had to be at least a 35 percent loss from the ASCS-established yield for that commodity. If the producer did not have crop insurance, there had to be a 40 percent loss. Payments were made on any loss above that 35 or 40 percent. If it was a target price commodity—wheat, feed grains—it was paid at 65 percent of the target price. If it was a nonprogram crop, then it was paid at 65 percent of a historical average price, or for minor oil seeds 65 percent of the loan rate.

Ms. DELAURO. In Connecticut, two of our most important agricultural crops are nursery products and aquaculture, shellfish to be very precise. And many Connecticut producers have expressed this concern to me, that the disaster program is rigid in this sense, because it only allows for payments to occur in the year that the crop was lost.

But if you take a look at nurseries, if you take a look at shellfish, which is a big industry in the State, you are looking at crops that sometimes take one to three years from planting to harvest.

Has there been any discussion, any thought about how to deal with these kinds of crops?

Mr. WEBER. There has been a lot of discussion, in the nursery world as well as aquaculture, as to the fact that, as you say, you may have lost stock that was not going to be sold in the year the disaster occurred. The way the law is written and the way we have interpreted it, the provisions were only for 1992 losses, and therefore we were only providing disaster protection for the 1992 losses.

Certainly I understand where you are coming from and——

Ms. DELAURO. Are the rules established by statute or by——

Mr. WEBER. Established by statute, yes.

Ms. DELAURO. Statute, okay.

Mr. WEBER. I have heard elsewhere in the nursery industry questions about why we do not provide disaster payments on loss of inventory rather than past sales. There are some issues coming up as a result of the disasters we have had the last couple of years that

suggest there may need to be some refinements in our present situation.

Ms. DeLauro. Yes. Very, very serious problem for the shellfish industry in Connecticut.

Mr. Weber. For your information——

Ms. DeLauro. Yes.

Mr. Weber [continuing]. Under the current Phase III disaster program in Connecticut, we have paid out just under $900,000, which includes payments for Storm Beth.

Ms. DeLauro. Okay.

Mr. VonGarlem. The formula that Randy gave you was 65 percent of the market price. So a farmer who lost everything is receiving something less than 20 cents on a dollar. There are a lot of expectations out there that for a very large loss, the USDA was going to make a substantial disaster payment.

Ms. DeLauro. And make him or her whole again.

Mr. VonGarlem. And when he got the check——

Ms. DeLauro. Which is what the language says——

Mr. VonGarlem [continuing]. It was less than 20 cents——

Ms. DeLauro [continuing]. It should go back to where you were.

Mr. VonGarlem [continuing]. On the dollar. That is a reality and a lot of farmers have been disappointed. But it is even worse for shellfish, because, as you pointed out, payments were based on only what he was expecting to produce or sell that year.

Ms. DeLauro. That year.

Mr. VonGarlem. Yes.

Ms. DeLauro. And that has made it very, very difficult.

Mr. VonGarlem. Yes.

Mr. Weber. And then given the limited nature of our funds available for disaster and the amount of claims we have had, we simply have not been able to pay more than 50 cents on the dollar for the amount of loss on which payment is made.

Ms. DeLauro. On the dollar.

The other issue is that I guess in Connecticut, like elsewhere, the large producers can absorb this kind of a loss and still survive. But some of the smaller producers then are gone.

Does ASCS have any particular way or program in which you are working with the smaller producers——

Mr. Weber. There are no——

Ms. DeLauro [continuing]. So that they can have a level playing field of some sort?

Mr. Weber. The statute does not provide any particular benefit to the small producers. It does say that if producers have a gross income of more than $2 million, they are not eligible for disaster payments. So there is a top level limitation, but no added benefits to a smaller producer per se.

Ms. DeLauro. Let me just ask you. Is the current system fair to the smaller producer at the moment?

Mr. Weber. From the stand point that under a disaster all folks suffer losses, I guess you could say that it is fair. But, you know, others might say that the smaller producer is operating on a narrower margin and therefore ought to be protected. That is a big issue for debate.

DAIRY INDEMNITY PROGRAM

Ms. DeLauro. Let me just ask on the Dairy Indemnity Program, you stated in fiscal year 1993 you have paid out $66,000 in dairy indemnity payments.

Can you provide us with the record of a list of the States where the payments were made and for what reasons they were made? If you could just provide that to the Committee.

Mr. Weber. Yes, I will furnish that to you.

Ms. DeLauro. Okay.

Mr. Weber. We do have it here if you would like.

Ms. DeLauro. Okay. Yes, I just wanted to have it for the record.

Mr. Weber. Okay, we will submit it for the record with the latest information on additional payments during March.

[The information follows:]

DAIRY INDEMNITY PROGRAM

[As of March 31, 1993]

State	Contaminant	Payments
Arizona	DDE Pesticide	$16,784
Florida	Aflatoxin	11,015
Georgia	Aflatoxin	9,004
Illinois	Aflatoxin	537
Kansas	Aflatoxin	2,455
Missouri	Aflatoxin	2,204
Nebraska	Heptachlor/Epoxide/Dieldrin	12,216
Ohio	Heptachlor/Epoxide/Dieldrin	18,745
Texas	Aflatoxin	12,437
Total		$85,397

USDA RESTRUCTURING

Ms. DeLauro. And as to the reorganization, the Clinton Administration is studying the reorganization of USDA. The Connecticut ASCS has provided me with a report on some of the legislative proposals that are floating around here in the Congress at the moment. I just would like to get your views on Connecticut's viewpoint in terms of consolidation.

Mr. Weber. Certainly. We would be glad to meet with you.

Ms. DeLauro. Thank you.

Thank you, Mr. Chairman.

Mr. Durbin. Mr. Pastor?

EMERGENCY CONSERVATION PROGRAM

Mr. Pastor. Good morning.

Mr. Weber. Good morning.

Mr. Pastor. I would also follow through with some questions on the Emergency Conservation Program. Let me start with what is your present capacity right now?

Mr. Weber. For 1993, we have slightly under $3 million available for allocation as of today. We had a $27 million supplemental appropriation for last year, and those funds have been totally allocated. We have unfunded requests on hand totaling over $31 million

for 1992 disasters. For the current year, we only have $3 million for dealing with 1993 disasters, and that is being utilized very quickly.

Mr. PASTOR. I know that.

Mr. WEBER. Yes.

Mr. PASTOR. Are you going to ask for a supplemental, or do you anticipate asking for one?

Mr. WEBER. It has not been decided at this point.

Mr. PASTOR. Because I know that you are having tremendous emergencies all over this country.

Mr. WEBER. Right.

Mr. PASTOR. This has been an unusual year.

If you do decide to ask for supplemental, what is the ballpark figure that you might be asking for? Because you have had—you are going to have some unforeseen——

Mr. WEBER. That is difficult to say at this point. We are going out to our States and counties to get some estimate of what has occurred, so that we can get a fix on the potential amount of funds that might be needed.

Mr. PASTOR. As you know, we have a number of fields under water in Arizona.

Mr. WEBER. Right.

Mr. PASTOR. Do you have any ballpark figure, preliminary figures of what may be the cost out there, the damages?

Mr. VONGARLEM. No, sir. It is still under water, and routinely we just do not even ask our counties to give us that kind of estimate until the water recedes. And, of course, we are also looking at the snow cap——

Mr. PASTOR. Right.

Mr. VONGARLEM [continuing]. Up above. Depending on how it melts, you may get flooded again. We understand you have already had two 100-year floods this year. So we are very aware of the potential magnitude of the problem, but going out this early trying to estimate is not productive, so we have not pressured the counties to try to give us an estimate yet.

Mr. PASTOR. Okay. What do you anticipate will be included in the fiscal year 1994 budget request for this program?

Mr. WEBER. I am just not able to comment on that at this point. We would suspect that there will be a request. What level, I do not know unless Mr. Dewhurst can say something.

Mr. DEWHURST. The budget will essentially have about $3 million in it. That is sort of the beginning figure for each year for the ECP, and I do not expect the administration's budget will differ from that when it comes up here.

FORESTRY INCENTIVES PROGRAM

Mr. PASTOR. Another program that caught my interest as you were testifying, I recently went with the Jewish National Fund to see their forestation program. In fact, I think Vice President Gore has an interest also in forestation, and I see that you have a Forestry Incentives Program, $12.4 million to plant an estimated 106 million trees.

How successful has this program been—how many trees have we planted?

Mr. WEBER. We have had for the last five years the same level of $12 million, and this past year we planted 106 million trees. And over the last five years we have been planting over 100 million trees a year. So I think it has been a fairly successful program.

Mr. PASTOR. Do any public entities participate or is it strictly private land?

Mr. WEBER. This is strictly private land.

Mr. PASTOR. One of the concepts that they had was to create green belts around urban areas, and although it is a lot smaller project in Israel, they were very successful at it. I think it is a good program. I think we are probably going to see, with the advocacy of Vice President Gore, probably more of these types of programs.

Mr. WEBER. Certainly.

Mr. PASTOR. Thank you very much.

Mr. DURBIN. Mr. Walsh?

TOBACCO PROGRAM

Mr. WALSH. Thank you, Mr. Chairman. And thank you for your testimony.

Mr. Weber, you have had some experience with the tobacco program. Could you explain briefly how exactly Federal money is spent on that program?

One of the things we hear constantly is the Federal Government has got to stop subsidizing tobacco, and there is a lot of debate about what, if any, subsidies there are. And if you could briefly explain that, and then explain what would happen if the Federal Government withdrew from its cooperation in the Tobacco Commodity Program.

Mr. WEBER. The tobacco program, with the exception of some administrative costs, is not a cost to the Government. It is a no net cost program. Producers pay——

Mr. WALSH. You said a no net cost. You said producers pay assessments?

Mr. WEBER. They pay assessments to take care of any losses that might occur because of what prices might be in a particular year. At this point there have been minimal costs with regard to the tobacco program.

Mr. WALSH. When you say minimal costs, if you had to assign a dollar figure to what the Federal Government pays, what the taxpayer pays for the administrative cost of that program, what would you say they are?

Mr. WEBER. It would be in the neighborhood of four or five million dollars a year.

Mr. WALSH. Is there any other money that is spent on tobacco, taxpayer money, other than the administrative costs? Are any monies spent for warehousing product or storage?

Mr. WEBER. Research, there would be some money spent on research. The warehousing——

Mr. WALSH. How much would you say is spent on research? Any idea?

Mr. WEBER. I do not have a number, but we certainly will get it for you.

Mr. WALSH. Okay, now——

Mr. DURBIN. Would the gentleman yield?

Mr. WALSH. Be happy to yield.

Mr. DURBIN. When the Agricultural Research Service was here, we asked them a question along those lines and they said there were two levels of study on tobacco. One is on the crop itself as a potential research vehicle. My liberal arts is going to carry me just so far with this discussion about the use of tobacco.

Mr. WALSH. I am a history major.

Mr. DURBIN. All right. The use of the tobacco plant as a vehicle for certain scientific research, and then the research being done on the tobacco plant to be used as a tobacco product. We have asked them to get back to us and to tell us the different amounts that are being spent in that area.

I might also add once we get that information we can discuss what we will do from that point. I understand there is about a million dollars, plus or minus a million dollars, for grading through the AMS as well on tobacco crops.

Mr. WALSH. Thank you.

If we were to set the research aside for a moment, if we were to withdraw from the administration of that program, what would happen in general terms to the industry?

Mr. WEBER. In general terms——

Mr. WALSH. Could it be privatized so that the assessments could go to a bureaucracy established by the tobacco growers, for example, and let private industry manage that as opposed to having the Federal Government manage it?

Mr. WEBER. I think I will let Tom respond to that. He is the tobacco expert.

Mr. VONGARLEM. The tobacco program is the only program left that is essentially unchanged from the Ag Act of 1938, where farmers collectively controlled production to keep prices up and stabilize the supply. That keeps the pressure off of the budget.

There were several efforts made prior to the passage of the Ag Act of 1938 for farmers to collectively try to control tobacco production. I am told they had meetings at Jamestown, when they found that there was an oversupply, and they all went to a town meeting and they collectively agreed to reduce production. Then each one of them went home and produced a little bit more.

Mr. WALSH. Kind of like OPEC?

Mr. VONGARLEM. Yes. I suspect, if there was an organization other than the Federal Government that tried to do this, they would have all kinds of legal problems with——

Mr. WALSH. Antitrust?

Mr. VONGARLEM [continuing]. Antitrust, yes. That has been the big issue in any effort of farmers to collectively control supplies. Things really got mean out in the tobacco country, I am told, in the 1930s, where there were organizations trying to do that, and it just was not successful.

Mr. WALSH. Well, it raises a question. Should the United States Government be involved basically in antitrust activity?

Mr. VONGARLEM. Philosophically, that is a question that Congress has to answer. My answer is if you pass the law, I implement it.

Mr. WALSH. Thank you. I was not here in 1938. Had I been I am sure I would have asked that question. [Laughter.]

Mr. VONGARLEM. As a matter of fact I was born two days after the Ag Act of 1938 passed, and I have been working with it for about 35 years now. [Laughter.]

Mr. WALSH. Thank you for your——

Mr. DURBIN. Mr. Walsh, this whole question about antitrust we might hold until after the baseball season opens.

Mr. WALSH. Yes. [Laughter.]

Knowing your deep interest in baseball and mine, I would be willing to do that too.

DISASTER PROGRAM

Okay, on to disaster relief. One of the issues that I became aware of this year, in terms of crop disaster relief, was the corn crop in New York State and other parts of the country, specifically in the northern tier States, but also in the Midwest. While the rest of the country had a bumper crop we had terrible losses due to rain. We had a lot of rain in the summer. And apparently in the program there is no allowance for quality, it is merely a case of whether or not you get the corn in or not. If the corn comes in and it is not mature, you have an early frost, the moisture content is still too high, you cannot get the corn harvested and there are mild toxins in the corn. My understanding is those are not considered issues in terms of disaster relief.

Could you comment on that?

Mr. WEBER. In terms of toxins, if there is microtoxin or aflatoxin in the crop and the producer agrees to destroy it we will zero the crop out for disaster purposes. Otherwise, the disaster program is designed around volume. I was just up in Michigan last week and I think they are experiencing what you are talking about. Despite the cool, wet weather and the fact that the crop did not mature, they still had volume there, but they wound up with low test grade.

Mr. WALSH. Right.

Mr. WEBER. Very high moisture, and for all practical purposes they had a crop that was worthless.

Mr. WALSH. Right.

Mr. WEBER. And although it was worthless, the volume was high enough that they did not qualify for disaster payments.

We are in the process of taking a look at this particular situation as a result of my trip up there. We will be reviewing something with the Secretary in the next couple of days, and hopefully coming out with something to help.

Mr. WALSH. It would affect the 1992 crop year?

Mr. WEBER. It would affect the 1992 crop, yes.

Mr. WALSH. Thank you very much.

No further questions.

Mr. DURBIN. Mr. Smith?

TOBACCO PROGRAM

Mr. SMITH. Just one more question on the tobacco program. There is not any question, is there, that but for the tobacco program there would be more tobacco produced?

Mr. VONGARLEM. There is a very strong conjecture to that effect; that it would be lower priced and there would be more produced, yes.

Mr. SMITH. Because it provides a monopoly to certain producers. Otherwise, they would produce more. If they produce more, there is going to be more available to smoke or chew or something.

Mr. VONGARLEM. Well, there would be more available for that purpose.

CCC COMMODITIES FOR DONATION

Mr. SMITH. I have a question about inventory of commodities for donations. What kind of an inventory is there of the commodities that we donate?

Mr. WEBER. Our inventory over the last several years has declined considerably. We have minimal quantities of grain available right now. For instance, we have 44 million bushels of corn available for programs, only 4 million bushels of grain sorghum, and 3 million bushels of barley. And although we have 150 million bushels of wheat, 147 million of that is tied up in the Food Security Wheat Reserve, so we only have a little over 3 million bushels available for donation programs. We have more butter.

Mr. SMITH. No more butter?

Mr. WEBER. We have lots of butter.

Mr. SMITH. Oh, lots of butter.

Mr. WEBER. Yes. But outside of that, CCC inventory stocks are very low.

Mr. SMITH. No cheese?

Mr. WEBER. 10.7 million pounds of cheese.

Mr. SMITH. What do you anticipate the year-end inventory will be?

Mr. WEBER. We are not anticipating any significant rise. We may get some increase in corn with the prices that we have.

COUNTY OFFICE PAPERWORK

Mr. SMITH. Yes. With regard to the paperwork in these county offices, which is just awful, just terrible, I made some suggestions and Secretary Yeutter adopted one of them, a one-page form to say nothing has changed since last year. That helped some. I made some more suggestions in the last couple of months with regard to the 501(b) form.

Have you been working on that, any of you?

Mr. WEBER. We have been working on that. We now have forms 502 and 1026 combined on one sheet of paper so that the farmer——

Mr. SMITH. Yes.

Mr. WEBER [continuing]. Who has not had a change can just sign that form rather than having to go through——

Mr. SMITH. What about a statement certifying that you will not exceed the payment limit, which would be very simple? Somebody

can certify under the penalty of perjury and everything else, that under no conditions, directly or indirectly, will I get more than $40,000, which is less than $50,000. Would that not cut out a lot of paperwork?

Mr. WEBER. That is something that we need to take into consideration. We fully agree with you that the paperwork is tremendous out there in the field. A lot of it is there because of statute.

Mr. SMITH. Yes.

Mr. WEBER. I would like to point out that in 1972 we had an Omnibus Farm Bill that was 32 pages in length.

Mr. SMITH. Right.

Mr. WEBER. The 1990 Farm Bill was over 800 pages in length.

Mr. SMITH. As a matter of fact, the $50,000 limit has just tripled the paper work in county offices.

Mr. VONGARLEM. But there is one more issue there that I think is really important. The 1987 legislation that implemented the current payment limitation involves more than just payment limitation. It involves payment eligibility.

Mr. SMITH. Right.

Mr. VONGARLEM. And there is a whole series of questions on that form that address payment eligibility.

Mr. SMITH. Yes.

Mr. VONGARLEM. And so it really has——

Mr. SMITH. Well, you have not seen anything yet if you get into the proposal that if anybody anywhere in the chain of ownership or operation has more than $100,000 income, you are going to get everybody's income tax. You just cannot believe what you are going to go through on that. In fact, you just as well give up the farm program if that happens.

Mr. WEBER. We certainly are aware of what additional paperwork that will generate, yes.

Mr. SMITH. Yes.

Mr. WEBER. With regard to paperwork, certainly we are starting an effort, and will continue an effort to review our regs and our procedures to see if there are things that we can administratively do away with and still protect the integrity of the program. We are going to be doing that.

Mr. SMITH. Well, I think there are ways to simplify it. But even so, the present paperwork that people have to deal with is in too large a measure a copy of the statute. I mean, that is legalese. It could be simplified a lot and make it at least easier to understand.

ACREAGE DETERMINATIONS

Another thing is the limitation of a 5 percent tolerance on unofficial fields. And as you know, many of these fields are really divided fields for that year; some of the fields are three-cornered fields and others are in terraces. In these situations it is virtually impossible to know for sure that you are within a half a percent unless you have a surveyor survey it. You can get the county office to do an official determination, but that just ties them up right at the wrong time, right when they are signing people up.

Is it your regulation that imposes this 5 percent tolerance?

Mr. WEBER. It is a regulation, and we are looking at that right now, and trying to make some changes, not so much in the tolerance, but in how the county committee can deal with these cases.

Mr. SMITH. I agree. I do not care about the tolerance if it were not that the penalty is so terrible.

Mr. WEBER. That is what I was getting at. We are making adjustments in the penalty. We have already announced that the penalty, instead of being 50 percent of the target will be 20 percent of the target.

Mr. SMITH. I see.

Mr. WEBER. We are also going to give county committees the authority to take a look at these incorrect acreages and grant a waiver if they determine it does not have an effect on the producer, the producer is not benefitting.

Mr. SMITH. Yes, it is even for underplanting. And the county committees I have talked to say that in 99 percent of the cases, it is just an honest opinion that acreage was different than it turned out to be.

Mr. WEBER. We are hopeful that we are making changes that will be——

Mr. SMITH. We are talking about a half an acre on a 10-acre field, and we are encouraging people to terrace. There are more and more of these terraced fields. They are not just three-cornered fields, they are six-cornered fields.

Mr. WEBER. Right.

Mr. SMITH. It is virtually impossible to comply if you do not have a surveyor. And then you take end rows off besides for turn rows, which we encourage, and especially on terraced fields where they are steep at the end, it is almost impossible to comply, so the penalty is very, very severe.

DISASTER PROGRAM

With regard to the disaster program, you indicated then when you get right down to it, in 1992, you are paying about 20 cents on the dollar compared to the income that producers had expected off those acres. You have got a terrible problem in determining whether or not they had the acres that they said they were going to plant, or whether they actually intended to plant all the acres, they said they were going to plant.

How are you coming with that problem?

Mr. WEBER. It continues to be a problem, simply because in recent years, we have not been operating these programs until as much as a year after the disaster has occurred. And as a matter of practice, we do not normally ask the non-program-crop folks to come and report to us that they were prevented from planting, or that they had failed acreage. So the county committees pretty much have to depend on the information they get when these folks come in.

Mr. SMITH. What can they do. The county committees tell me that they know that some of these people are lying to them. A producers says, "I intended to double my crops of carrots this year." How are you going to prove that they did not? You have to take their word for it almost.

Mr. WEBER. That is one of the problems that we run into. And we think that one way of getting around that, or at least helping us, might be to go ahead and take these reports up front, have the producers come up when the disaster occurs and report to us what has happened, so that we can see the residue and everything. That is one thing that we think will help.

Mr. SMITH. That would help except on failed plantings.

Mr. WEBER. But at least the action would be taken at the time that the failure occurred. So at least the county committee is in a much better position to make a judgment there than they are a year later.

Mr. SMITH. And then you depend on the Extension Service to get prices that you use on those non-program crops?

Mr. WEBER. Where we do not have it available from other sources. We try to get whatever source we can.

Mr. SMITH. In most cases they really do not have a very good source to get prices either.

Mr. WEBER. Our disaster program has gone from about 20 crops to nearly 2,000 crops. And it has presented a major challenge for ASCS.

Mr. SMITH. I will tell you, I think that a bad mistake was made when we went to this program instead of the loan program that we had under SBA. It was knocked out by the vote of one in the committee. It worked from 1977 until about seven or eight years ago. We made loans at a very low interest rate, provided that they could show that they could repay them so that they could continue in business and amortize their loss over a period of an average of eight years.

We did not have problems with that program. It worked. And we are going to continue to have problems with this one, especially with non-program crops. I do not see how it is possible to set it up without having serious problems. I do not think that you can administer it without having serious problems.

Mr. WEBER. We continue to do the best we can. And I fully agree that it is tough to know exactly whether we are getting the absolute information that we should be getting. And we have had some cases that we have actually gone out and investigated.

Mr. SMITH. There is another case where one crop failed. The producer got a disaster on that, and planted another crop on the same land. There was some of that. I do not know how many cases there were, but it is noticed. It is noticed by all of the neighbors.

Mr. WEBER. We realize it is, and we try to stay on top of it to the extent that we can. We have people reporting to us, and when they do, we go out and investigate. That is what happened in the more recent case that we had, and I think that we were able to save considerable money that would have been paid for claims that were not appropriate.

Mr. DURBIN. If they had a failure fairly early in the season on corn, and went out and planted soybeans and harvested a crop of soybeans, what is the consequence?

Mr. WEBER. Our procedure right now is that if the producer is not in a normal double cropping area, we would protect him disaster payment-wise on corn, but not on soybeans.

Mr. SMITH. I know, but he would still harvest the soybeans on that same land that he is getting paid for on the corn.

Mr. WEBER. In the past, we have had rules that said that if you planted a subsequent crop, then we deducted the value of the subsequent crop. However, the current statute does not provide that.

Mr. SMITH. Yes.

TOBACCO PROGRAM

Mr. DURBIN. Thanks, Mr. Smith.

Mr. Weber, let us return to the tobacco program for a minute. Did you say that the net cost to the Federal government is about $4 to $5 million a year?

Mr. WEBER. As far as our administrative costs, they are about $4 to $5 million.

Mr. DURBIN. Could you tell me why the information that we have received from your budget office lists the administrative expenses of price support at $16.6 million under the tobacco program?

Mr. WEBER. I have misquoted it. The $16 million is correct.

Mr. DURBIN. $16.6 million?

Mr. WEBER. Yes.

Mr. DURBIN. Now I also understand that we provide crop insurance for tobacco.

Mr. WEBER. Yes.

Mr. DURBIN. If our figures here are correct, that costs $15.6 million. I do not know if that is an estimate for this fiscal year. It is in the 1993 budget.

Mr. DEWHURST. That table is about a year old. And we will be updating it for you in the very near future. But that was an estimate at the time that it was done.

Mr. DURBIN. So when you say no net cost, that does not include crop insurance either, does it?

Mr. DEWHURST. That is correct.

Mr. DURBIN. So we have another $15.6 million there?

Mr. WALSH. If you would yield, Mr. Chairman.

Mr. DURBIN. I would be happy to.

Mr. WALSH. That is $15 million for disaster relief or for crop insurance subsidy?

Mr. WEBER. Crop insurance.

Mr. DURBIN. Now how about disaster relief? Give us an example of what you paid out in the last fiscal year.

Mr. WEBER. We do not have a number right now, but we will get it.

[The information follows:]

FY 1992 TOBACCO DISASTER PAYMENTS

Tobacco disaster payments made in FY 1992 were $2,934,373, which consisted of $512,650 for the 1990 crop and $2,421,732 for the 1991 crop.

Mr. DURBIN. So the no-net-cost figure is not the $31 million of no-net-cost so far.

Mr. WEBER. Now by statute, the no-net-cost excludes the administrative cost, as well as the disaster cost.

Mr. DURBIN. What is the profitability of tobacco per acre?

Mr. VonGarlem. Well, not too many tobacco farmers drive Cadillacs. I do not think that it is an extremely high return per acre, because it is an extremely labor-intensive crop. That is why it is grown on small farms generally. We will try to provide an answer for the record, but I do not think that it is extremely high. I do not think that it will compete with rice or peanuts.

Mr. Durbin. We should not use that example.

Mr. VonGarlem. That is a reality. You can take it any way you can get it. But it is not that high a return relative to some other crops that farmers have the option to grow.

[The information follows:]

Estimated Costs of Producing and Selling Burley and Flue-cured Tobacco, 1992 (Preliminary)

Item	Burley 1/	Flue-cured 2/
	Dollars per acre	
Cash receipts	3,879	3,736
Costs		
Variable costs 3/	2,285	1,751
Machinery and barn ownership costs	471	485
General farm overhead	384	244
Land and quota charge 4/	1,256	886
Total	4,396	3,366
Return over costs (or loss)	(517)	370
Farm characteristics (average) 5/	Acres	
Total farm size	172	462
Tobacco acreage	3	31
Total cropland	69	275

1/ Compiled from Annette L. Clauson, "Cost of Producing and Selling Burley Tobacco: 1990, 1991, and Preliminary 1992", Tobacco Situation and Outlook Yearbook, TS-221, December 1992, p.47.
2/ Compiled from Annette L. Clauson, "Costs of Producing and Selling Flue-Cured Tobacco: 1991 and Preliminary 1992", Tobacco Situation and Outlook Report, TS-220, September 1992, p.34.
3/ Includes operator, family, exchange, and hired labor valued at prevailing hired wage rates (about two-thirds of burley labor was unpaid).
4/ Composite cash and share rental value of quota.
5/ Compiled from USDA Economic Research Service Farm Costs and Returns Survey, 1989 crop year (burley), and 1991 crop year (flue-cured).

Mr. DURBIN. Is it not also true that the tobacco cigarette companies are importing more tobacco each year?

Mr. VONGARLEM. Yes, sir.

Mr. DURBIN. So we are maintaining this commodity while the people who use it are turning to lower cost foreign tobacco to make their product for sale in the United States and abroad.

Mr. VONGARLEM. Well, the other side of that argument is that those same companies are also increasing their exports. Tobacco is a very large export commodity.

Mr. DURBIN. I am very well aware.

Mr. VONGARLEM. And a lot of that is in processed products.

PAYMENT LIMITATION

Mr. DURBIN. Let me ask you about the payment limitation question that Mr. Smith raised. It is my understanding from reports prepared by the GAO and the Inspector General that farmers across the United States have worked diligently with their lawyers and accountants to find ways to avoid our payment limitations.

What is the involvement of ASCS in ferreting out these new schemes to avoid this limitation?

Mr. WEBER. Each year we have an end-of-year review to ensure that the producer had operated according to the plan he reported to us the first part of the year. We have OIG audits. And we have our own internal investigations to try to ferret out those schemes and devices that are out there.

It is a major problem. Our effort to enforce the payment limitation consumes an awful lot of time of the county offices.

Mr. DURBIN. Do you have any recommendations on how to simplify this and still achieve our objective?

Mr. WEBER. I believe that there are simpler ways of doing it. I think that attribution probably provides an easier way of looking at payment limitations.

Mr. DURBIN. Would you tell me what you mean by that?

Mr. WEBER. That you as an individual have payments attributed to you, whether you are an individual or in fourteen different corporations.

Mr. DURBIN. Or if each of my children has a corporation?

Mr. WEBER. Right. We look to warm bodies and say that warm body is entitled to X amount of dollars. That certainly would make things simpler.

Mr. SMITH. Would the gentleman yield?

Mr. DURBIN. I would be happy to.

Mr. SMITH. I agree a hundred percent with that. As it is now, you exclude from consideration anybody who has less than a ten percent interest. Just look at the individuals is the way to do it. No matter where their interests may be, then follow them instead of the way we are doing it. But I think that the law requires you to do it this way, does it not?

Mr. WEBER. Yes, it does.

COLORADO RIVER BASIN SALINITY CONTROL PROGRAM

Mr. DURBIN. Let me ask you about the Colorado River Basin Salinity Control Program. I have not seen it. I have heard it de-

scribed. I am going to try to characterize it here, and you tell me if I am accurate. There were people who were planting along the Colorado River. They have irrigation methods that involve drilling wells to find the water that is necessary to irrigate their crops.

The run-off from their crops that goes into the river has a high salinity content and other chemicals in it. We are attempting to find ways to reduce that salinity run-off, because of the environmental problems that it creates downstream.

Mr. WEBER. That is exactly right.

Mr. DURBIN. Is that it?

Mr. WEBER. Yes.

Mr. DURBIN. Last year, Mr. Bjerke testified. In testimony, he suggested that there were a number of systems that had been installed with government assistance. He suggested that the removal of this salinity at a cost of less than $28 per ton was very cost effective. That is a quote from him last year.

Then he went on to tell us what the cost per ton of salt reduced was in seven different projects under the Colorado River Basin Salinity Control Program. I might say that there were two of them at the $27 cost per ton level of salt reduced. All of the others were above that amount, ranging from $57 to $88 per ton of salt reduced.

Since he characterized less than $28 per ton as cost effective, is there a break even point where we can say that it is no longer cost effective if it costs more than so much per ton of salt reduced?

Mr. WEBER. Mr. Chairman, I do not have the figures here but we will provide them for the record. I do not know exactly what the break-even point is. We probably have some analysis which will provide that information to you.

Mr. DURBIN. I would like to see it. I know that it is very important to the people living in Colorado, Utah and Wyoming.

It may even reach your state, does it not?

Mr. PASTOR. I believe so.

Mr. DURBIN. Mr. Pastor?

Mr. PASTOR. Mr. Chairman, we have a major plant that desalts some of this water that just came into operation about two years ago.

Mr. DURBIN. Do you know what the cost per ton is?

Mr. PASTOR. No, I do not.

Mr. DURBIN. Well, if we could get some information from ASCS on it, we would appreciate that very much.

Mr. WEBER. We will provide information for the record on cost-effectiveness of salinity control.

[The information follows:]

COST-EFFECTIVENESS OF SALINITY CONTROL

The Colorado River Basin Salinity Control Act, as amended by P.L. 98-569, states in Sec. 201(b) that "In determining the relative priority of implementing additional units or new self-contained portions of units authorized by section 202, the Secretary or the Secretary of Agriculture, as the case may be, shall give preference to those additional units or new self-contained units which reduce salinity of the Colorado River at the least cost per unit of salinity reduction." A salinity control report is prepared for each specific salt source area (unit), and the most cost-effective alternative is identified in each report. The Colorado River Basin Salinity Control Forum and the cooperating agencies have closely adhered to the policy that only the most cost-effective salinity units will be implemented.

The Colorado River Basin Salinity Control Program has salinity reduction goals which support the effort to meet salinity standards in accordance with the 1973

International Boundary and Water Commission Agreement concerning the quality of water delivered downstream in the U.S. and Mexico. Every 3 years the Forum analyzes the salinity in the Colorado River and prepares an overall plan of implementation to meet the program goals. The present plan includes 19 units, reflecting a wide range of costs. However, all are necessary in order to remove enough salt to meet the numeric criteria.

No judgment has been made, therefore, as to a break-even point above which salinity reduction is not cost-effective. Rather, the program focuses upon the most cost-effective means of reaching the point at which no more salt needs to be removed to meet the program goal.

The salinity projects in the overall Colorado River Salinity Plan are the most cost effective projects that have been identified and are practical to implement. However, to remove 1.5 million tons of salt in compliance with the accepted standard, it has been necessary to include several Bureau of Reclamation projects that cost over $100 per ton.

Mr. DURBIN. There have been four Colorado River Basin Salinity Control Program practices used in the past. These were on-farm salt load reduction, off-farm salt load reduction, permanent wildlife habit, and shallow water areas for wildlife. Have any new ones been added?

Mr. WEBER. No, we have not added any new practices under the Salinity Program.

Mr. DURBIN. Provide a table showing the amount of funds used for each practice in fiscal year 1992.

[The information follows:]

CRCS cost-share practices by primary purpose, FY 1992

Practice number and name	Cost-shares
SRP1, on-farm salt load reduction	$4,252,125
SRP2, off-farm salt load reduction	1,144,987
SRP3, permanent wildlife habitat	29,484
SRP4, shallow water areas for wildlife	64,138
Total	$5,490,734

Mr. DURBIN. Also provide a list of all ongoing projects, by State, the amount allocated to each for fiscal years 1992 and 1993, the total cost of the project to date, and its estimated completion date.

[The information follows:]

CRSC Projects

Salinity Unit	Estimated Completion Date	Allocation 1/		Total Cost to Date 1/
		1992	1993	
Grand Valley, CO	2010	$2,810,800	$2,697,449	$15,871,249
Uinta Basin, UT	2010	4,325,500	4,137,512	22,781,012
Big Sandy River, WY	2006	1,388,200	1,322,079	6,212,279
Lower Gunnison 1, (Delta), CO	2010	2,459,000	2,163,212	9,893,212
Lower Gunnison 2, (Delta), CO	2010	454,000	451,212	1,442,212
McElmo Creek, CO	2007	1,538,500	1,281,212	5,373,712
Lower Gunnison 2, (Montrose), CO	2010	1,131,500	1,118,412	3,384,912
Lower Gunnison 3, CO	2006	254,000	259,212	675,212
Moapa Valley, NV	2002	298,000	250,200 2/	960,200 3/
Planning Studies, SCS 4/		123,500	102,500	1,102,500
Total		14,783,000	13,783,000	$67,696,500

1/ Includes funds provided for cost-share assistance, ASCS; technical assistance, SCS, and information/education and technical assistance, ES.

2/ $100,000 for cost-share assistance for Moapa Valley will be allocated later in FY 1993.

3/ ES and SCS pre-implementation technical assistance only.

4/ Planning studies conducted in Price-San Rafael, Utah, and San Juan, Arizona.

Mr. DURBIN. ASCS spent $30,000 on an irrigation demonstration project on Ute Indian reservation land in fiscal year 1992 to demonstrate the importance of Ute Indian lands participation in the Uinta Basin project. How successful was this demonstration?

Mr. WEBER. The delivery pipeline and a center pivot system were installed in the summer of 1992 with Native American labor. Some installation problems were encountered in the laying of the delivery pipeline but were resolved. The Extension Service lead person for the project returned to graduate school and a new lead person had to be brought in. Currently, research plots are being installed. The plots will have good visibility as they are adjacent to a well traveled road. This will be the first full year of implementation of the irrigation demonstration project.

Mr. DURBIN. Provide a table showing the amount spent each year on information and education activities since the program began in fiscal year 1987.

[The information follows:]

Colorado River Basin Salinity Control Program—Extension Service Information and Education Funding, FY 1987–1992 ($000)

Fiscal year	Funding
1987	$70
1988	175
1989	273
1990	442
1991	600
1992	630
Total	$2,190

Mr. DURBIN. What is the cost per ton of salt reduced for each of the units that have undergone some treatment activity?

Mr. WEBER. I will provide that for the record as well.

[The information follows:]

CRSC cost per ton of salt reduction

Project	Cost per ton
Grand Valley	$27
Uinta Basin	80
Lower Gunnison #1	64
Lower Gunnison #2—Montrose County	68
Lower Gunnison #2—Delta County	41
Lower Gunnison #3	74
McElmo Creek	83
Big Sandy River	27

Mr. WEBER. Mr. Chairman, just as a point of information.

Mr. DURBIN. Sure.

Mr. WEBER. This program came about because of a treaty that occurred back during the Nixon administration.

Mr. DURBIN. With an Indian reservation?

Mr. WEBER. No, it was with Mexico.

Mr. PASTOR. With Mexico. Because the content of the waters that were reaching Mexico had a very high salt content. And so President Nixon and the president of Mexico signed a treaty. And this has been how many years now? Twenty some-odd years.

Mr. WEBER. Twenty years ago.

Mr. PASTOR. Twenty years ago.

Mr. DURBIN. In 1973, the International Boundary and Water Commission.

Mr. PASTOR. Yes.

Mr. DURBIN. I guess the question in my mind is fairly obvious. And that was raised yesterday when it came to questions of run-off in my part of the world.

When do you reach a point where the government investment in reducing the salinity is so expensive that it is easier to buy an easement or to purchase the land?

Mr. PASTOR. Well, in this case, you are not purchasing easements. Basically, the treaty says that the salt content when it reaches Mexico would be a certain percentage.

Mr. DURBIN. But I am suggesting that if you go back to the actual source of the problem, and instead of investing so much per acre buy an easement to reduce the run-off in some way.

Mr. PASTOR. Well, most of this land is under water right now, because it is flooded.

Mr. VONGARLEM. Mr. Chairman, just a little problem with your description.

Mr. DURBIN. Please.

Mr. VONGARLEM. My understanding is that we really are not talking about run-off. Some of the older surface irrigation systems dump a lot of water on the ground. It leaches down, and then it percolates through the underground rock layer picking up the salt. And when it comes back into the river, it carries with it the salt from the substrata. So one of the biggest single issues is to improve those irrigation systems so that they do not use as much water, and so that there is not as much water percolating through.

Now, I come from out here. I do not come from that part of the country. But that is the explanation that they have given me.

Mr. PASTOR. Run-off is also a factor in this. It is a combination.

Mr. DURBIN. Thank you very much. A couple of our colleagues, Mrs. Vucanovich and Mr. Price, have some questions they would like answered for the record.

[The questions and responses follow:]

ASCS LAS VEGAS OFFICE

Ms. VUCANOVICH. One of Secretary Espy's major proposals is the creation of a single Farm Service Agency consisting of the Agricultural Stabilization and Conservation Service, the Soil Conservation Service, the Federal Crop Insurance Corporation and the Farmers Home Administration. I understand that the Secretary's priority is to streamline from top to bottom starting with the Washington bureaucracy first and then restructuring the field offices.

Regarding this new Farm Service Agency I would like to know how this proposal will affect the ASCS field office in Las Vegas.

The Nevada State ASC Committee authorized the ASCS office serving southern Nevada to be located in Las Vegas as it is currently for farmers and ranchers in Clark and southern Nye counties who come to Las Vegas for shopping, etc. There are in excess of 350 agricultural producers within the two-county area and almost half of those come to Las Vegas at least occasionally. There is no other location in the two-county area that would better serve our clientele.

ASCS must maintain farm program records, determine eligibility of producers, send out program data as well as being prepared to administer farm programs. This preparedness is necessary even when there is limited participation. All of our programs are voluntary; therefore, workload and program payments vary almost annu-

ally. Farm program payments to Nevada producers generally account for 1 to 3 percent of the gross annual income coming from Federal Government payments.

RESPONSE. There are no plans to close the ASCS county office located in Las Vegas. However, the ASCS Pershing County Office in Lovelock, Nevada, was included on the list of offices proposed for closure by Secretary Madigan on January 19, 1993. The various State officials for ASCS, SCS, and FmHA are preparing implementation plans which will provide impact information for Secretary Espy to review. He has postponed closures in the meantime.

ASCS AWARDS CEREMONY

Mr. PRICE. Last year during this subcommittee's budget oversight hearing, it was revealed that ASCS spent $667,000 for its annual awards ceremony in 1991. Within weeks of that revelation, ASCS proceeded to spend $492,000 for its 1992 award ceremony.

Information obtained from other USDA agencies with comparable field office structures revealed that other agencies were spending from $10,000 to $15,000 on their annual awards ceremony.

As you know, last year your overall funding level was cut by over $5 million. The House Appropriations Committee, in its FY '93 appropriations report, directed ASCS to "scale back its national ceremonies to be more consistent with other USDA agencies . . .:" The Senate committee directed you to "perform this function in a less costly manner."

Have you gotten the message?

RESPONSE. Yes. In fact, plans are currently being finalized for the 1993 Administrator's Awards Ceremony here in Washington, and we estimate this ceremony will cost about $14,500 this year.

Mr. PRICE. What is the total amount you requested in your FY '94 budget request for the national awards ceremony?

RESPONSE. The FY 1994 ASCS budget request for conducting the National Administrator's Awards Ceremony is consistent with FY 1993 estimates of about $14,500. We plan to keep these costs to a minimal amount.

Mr. PRICE. Please supply the following information for the awards ceremony conducted in 1992: number, type and distribution, e.g., Washington office vs. field offices, of awards given; total travel and per diem costs incurred by the federal government; the costs, if any, for rental of non-federal auditoriums or reception areas; the costs for any printing, photography, videotaping, or miscellaneous purchases done in conjunction with the ceremony.

[The information follows:]

1991 ASCS ADMINISTRATOR'S AWARDS

[June 1992—Washington, D.C.]

	Number of awardees by type of awards			
	Individual	Group	County office	Total
Washington	21	142	0	163
Field	155	330	253	738
Total	176	472	253	901

Actual FY 1992 costs for the Administrator's Awards Ceremony

Description	*FY 1992 Costs*
Travel and per diem	$426,790
Hotel space rental and reception	21,632
Printing	10,594
Photography	4,312
Videotaping	0
Miscellaneous	19,366
Total	$482,694

Mr. PRICE. How many retired employees, if any, received awards in 1992? What were the travel and per diem costs, if any, associated with these retired employees

receiving awards? Under what authority were the costs of retired employees, if any, paid by the federal government?

RESPONSE. Nine retired employees received awards in 1992 with total travel costs of $4,776.39. Payment of these costs is authorized by USDA Travel Regulations, under Section 1.1.1c2, and in accordance with ASCS travel Supplement, Section 1.1.1., which states that Agency heads have authority to approve travel of non-USDA employees and non-Government persons under these circumstances.

Mr. PRICE. How many, if any, employees normally assigned to ASCS headquarters in Washington who were on temporary duty in another city during the national awards ceremony were flown to Washington for the awards ceremony and returned to temporary duty? Provided the names of these individuals, their titles and description of their duties. What were the travel and per diem costs, if any, incurred for their attendance at the national awards ceremony?

RESPONSE. Research of our records indicates that ASCS had one employee who received an award who was normally assigned to Washington and was in temporary duty status in another city just prior to the Administrator's Awards Ceremony and was returned to the same temporary duty station just after the Awards Ceremony.

The employee's name will be provided to your staff. She is an agricultural program specialist in one of ASCS' program divisions. She participates in the development and recommendation of operating policies and regulations with regard to acreage and crop disposition requirements of the national sugar program. She develops regulations, handbooks, procedures and forms covering the acreage reporting, crop disposition and assessment provisions of the sugar compliance program. As directed by workload requirements, she is also called upon to perform duties relating to other functions including highly erodible land and wetland provisions and failure to fully comply.

The net cost of travel and per diem for this employee to attend the award's ceremony was $154.48.

KANSAS CITY STAFFING

Mr. PRICE. Is there a permanent office of staff provided for the Deputy Administrator for Management in Kansas City? What are the costs, if any, associated with this office in Kansas City? How many days during 1991 and 1992 did the Deputy Administrator work in this office?

RESPONSE. Currently, there is no permanent office or staff provided specifically for the Deputy Administrator, Management—DAM—in Kansas City. However, in late summer of 1991 the then Deputy Administrator, Management, instructed Kansas City Management Office officials to provide space for an office for DAM in Kansas City. The office was established in Room 305 of the Ward Parkway building.

The estimated expenses incurred as a result of this office over the 16-month period from October 1991 through January 1993 are $8,000 for office rent and phones and $8,800 for equipment, for a total cost of $16,800.

This office was used on approximately three occasions by the previous Deputy Administrator, Management, or her designee, and was disestablished upon her departure from the Agency. The equipment and office have been reassigned for other uses. There are no plans to reestablish an office for the DAM here.

I want to thank your agency for coming before us. We will be in touch with you as we put together the appropriation.

BIOGRAPHY

Bruce R. "Randy" Weber
Acting Administrator
Agricultural Stabilization and
Conservation Service
U.S. Department of Agriculture
Washington, D.C. 20013

Bruce R. Weber is Acting Administrator of the Agricultural Stabilization and Conservation Service (ASCS). As Acting Administrator, he is responsible for the planning, development, formulation, and evaluation of overall ASCS policies, programs and related activities. In addition, he also serves as Acting Executive Vice President of the Commodity Credit Corporation (CCC), a $30 billion government-owned and operated corporation instrumentality charged with implementing the commodity stabilization functions of the U.S. Department of Agriculture.

Prior to his present assignment, Randy served as the Director of the Cotton, Grain and Rice Price Support Division (CGRD). As Director, he was responsible for the development of policy and the administration of nationwide programs for wheat, feed grains, cotton, oilseeds, rice, sugar, honey and peanuts. He also served as Acting Assistant Deputy Administrator for Policy Analysis (DAPA), where he participated with USDA policymaking officials in the analysis and development of national program policies for farm price support, supply adjustment, and related programs. Previously, he has also served as Director, Commodity Analysis Division (CAD), of the U.S. Department of Agriculture's Agricultural Stabilization and Conservation Service (ASCS). This Division served as the centralized analytical resource in ASCS/USDA for the development, formulation and evaluation of multi-billion dollar national commodity program policies.

Randy began his ASCS career in 1960 working as a Program Assistant in the Decatur County ASCS office. He worked 14 years in four different Kansas County offices in various positions including Chief Program Assistant and County Executive Director. He transferred to Washington, D.C. in 1974 and worked principally as a grain analyst and policy adviser responsible for formulation, development, analysis, and evaluation of price support and related programs for grains, fibers, dairy, sugar, peanuts and tobacco. Randy was raised on a dairy, irrigated grain and hay farm in Decatur County, Kansas.

Randy is married and has two children.

February 1993

BIOGRAPHY

Thomas A. VonGarlem
Acting Deputy Administrator
State and County Operations
Agricultural Stabilization and
Conservation Service
U.S. Department of Agriculture
Washington, D.C. 20013

Thomas A. VonGarlem was named Acting Deputy Administrator, State and County Operations (DASCO) in February 1993. As Acting DASCO, Tom is responsible for the development of alternatives and regulations relating to production adjustment, price support and land conservation programs. In addition, he provides uniform and effective administration of these programs through State and county ASCS offices. Since June 1982, he previously served as Assistant Deputy Administrator, State and County Operations.

Before being appointed Assistant Deputy Administrator, DASCO, Tom served as Director, Tobacco Division, AMS, for two years. He also served as Deputy Director, Price Support and Loan Division and the Tobacco and Peanut Division, and had worked in various other capacities involving tobacco and peanuts. He started working for ASCS in 1966 as an ASCS County Executive Director.

Tom was born and reared on a tobacco, feed grains and cattle farm in southern Maryland and attended Frederick Sasscer High School. He received his BS degree in Agronomy from the University of Maryland. While in college, Tom worked for the Agricultural Research Service for four years.

He served in the U.S. Navy for 5 1/2 years.

He has received numerous awards, including two ASCS Administrator's Awards for Excellence and the Presidential Rank Award of meritorious executive.

Tom and his wife Sharon have three children.

February 1993

BIOGRAPHY

Floy E. Payton
Acting Deputy Administrator
Management
Agricultural Stabilization and
Conservation Service
U.S. Department of Agriculture
Washington, D.C. 20013

Floy E. Payton is Acting Deputy Administrator, Management, Agricultural Stabilization and Conservation Service (ASCS). As Acting Deputy Administrator, he is responsible for developing and implementing policies involving budgetary and financial administration, personnel, automated data systems, and other management related activities for ASCS and Commodity Credit Corporation programs. The office also has oversight of the Agency's Aerial Photography Field Office at Salt Lake City, Utah, and its Management Field Office at Kansas City, Missouri.

Before being named to this position, Mr. Payton served as Assistant Deputy Administrator, Management, Agricultural Stabilization and Conservation Service (ASCS). He worked with the Deputy Administrator, Management, in developing and directing policy and programs governing the overall activities of the agency and the Commodity Credit Corporation in collaboration with other ASCS officials and assigned management divisions in Washington and in the field installations.

Mr. Payton has also served as Director, Aerial Photography Field Office, Salt Lake City, Utah. He held several technical and management positions in the Eastern Aerial Photography Laboratory from 1962 to 1974. In 1956, he began work in the ASCS State Office in Indianapolis, Indiana. He has also held various administrative and management positions in Management Services Division and Technical Services Staff, Washington, D.C.

Mr. Payton was born in Dubois County, Indiana and attended Tunnelton High School. He earned a B.S. degree in Business Administration from Western Carolina University in 1976.

He served in the U.S. Army from 1959 to 1961.

February 1993

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE
Statement of Bruce R. Weber, Acting Administrator
Before the House Subcommittee on Agriculture,
Rural Development, Food and Drug Administration, and Related Agencies

Mr. Chairman and Members of the Subcommittee, I am pleased to be here today to discuss the Agricultural Stabilization and Conservation Service.

In testifying today I want to emphasize at the outset that the Administration is currently formulating the President's fiscal year 1994 Budget. Accordingly, I am not in a position to provide you with the Administration's position on funding for specific programs or activities. As soon as the President's fiscal year 1994 Budget is released, I would be pleased to provide you with the Department's views.

I will begin by providing a brief overview of the agency and will then address administrative support, the conservation programs, and the Commodity Credit Corporation.

ASCS OVERVIEW

The Agricultural Stabilization and Conservation Service was established in June 1961 by the Secretary of Agriculture under the authority of the Reorganization Act of 1949, as amended. It is the successor to prior agencies that had administered farm programs since the 1930's.

Mission

ASCS provides service to American producers and the American public through the administration of farm commodity, conservation, emergency, and domestic and international food assistance programs.

As the agency name implies, our objectives are twofold: stabilization and conservation. In its stabilization role, ASCS administers Commodity Credit Corporation programs, including production adjustment programs, which provide producers income support, and which protect against extreme fluctuations in the marketplace. In its conservation role, this agency carries out a variety of programs to assist producers in applying conservation measures needed to preserve the long-range productive capacity of our soil and water resources, and to protect highly erodible land, wetlands, and other environmentally sensitive lands. The stabilization and conservation objectives are united in serving the public interest by helping to protect this Nation's ability to produce food and fiber at reasonable prices for current and future generations while protecting the environment.

Organizational Structure

ASCS delivers its programs nationwide through a system of State and county offices, in addition to a number of field offices and the Washington headquarters.

State and county ASC committees make decisions on the local administration of the various programs entrusted to ASCS that deal directly with the farmer. The county committees, whose members are elected by local farmers, also provide advice and

recommendations regarding program plans and policies. There are currently 50 State committees, one Caribbean Area committee, and 3,053 county committees. Day-to-day program operations such as signups are conducted by the employees of the 2,775 ASCS county offices. State offices provide guidance and management oversight of their respective county offices.

Additional ASCS field offices are located in Salt Lake City, Utah, and Kansas City, Missouri. The Aerial Photography Field Office in Salt Lake City provides aerial photography products for ASCS, other agencies within and outside of USDA, and the public. The Kansas City Commodity Office is responsible for the acquisition, handling, storage, processing, and disposal of commodities to fulfill CCC program commitments, and the examination of farm commodity warehouses. The Kansas City Management Office is the focal point for agency computer system applications development and programming, as well as records management and other functions, while the Kansas City Financial Management Office handles centralized ASCS and CCC program accounting, debt management, commodity program claims, and related responsibilities.

ASCS is headed by an Administrator, Associate Administrator, and four Deputy Administrators -- who are located in Washington headquarters and are supported by a number of divisions and staffs which provide overall program administration and oversight as well as personnel, property, financial, and other support services.

ADMINISTRATIVE SUPPORT

Expenses for administering ASCS and CCC programs and other functions assigned to the Agency are currently funded by a consolidated Salaries and Expenses Account, which was established by the Agricultural Appropriations Act of 1963 to simplify the budgetary and accounting requirements and recordkeeping of the agency. This account is financed largely through direct appropriation, user fees, and various transfers, advances, and reimbursements from other sources.

The direct appropriation for ASCS Salaries and Expenses for fiscal year 1993 is $712.7 million. Our current estimate of staff years that will be used in fiscal year 1993 in carrying out our direct responsibilities and in servicing other Agencies of the Department, is 3,349 Federal office staff years and 15,476 county office staff years, for an agency total of 18,825 staff years.

CONSERVATION

Conservation Reserve Program

The Conservation Reserve Program -- CRP -- was mandated by the Food Security Act of 1985 and was extended and modified by the Food, Agriculture, Conservation, and Trade Act of 1990 (FACT Act). Its primary objective is to help farmers achieve the environmental benefits of reduced erosion and improved water quality by establishing permanent cover on highly erodible or environmentally sensitive cropland. The program is available in all 50 States, Puerto Rico, and the Virgin Islands on cropland that meets the established criteria.

Participants enter into a contract with ASCS in which they agree to take land out of production for 10 to 15 years and install permanent cover. In return, USDA provides annual rental payments, one-time payments for half the cost of the cover, and technical assistance.

The FACT Act combined the CRP along with the newly authorized Wetlands Reserve Program into the Environmental Conservation Acreage Reserve Program -- ECARP -- with an overall participation goal of 40 - 45 million acres, including those already enrolled in the CRP. The law specifies that to the extent practicable, the ECARP enrollment should include 1 million acres under the Wetlands Reserve Program, leaving a minimum of 39 million acres under the CRP.

At the present time, total CRP enrollment is about 36.5 million acres, including 1.1 million acres enrolled in 1992 during the twelfth signup. No signup is being held in 1993 since the 1993 Appropriations Act prohibits it. However, we are making payments due on the previously enrolled acres -- $1.7 billion for rental payments, $33.8 million for vegetative cover costs, and $6.4 million for technical assistance.

Wetlands Reserve Program

As I mentioned, the Wetlands Reserve Program -- WRP -- was authorized by the FACT Act as a component of the ECARP. The primary objectives are to preserve and restore wetlands, improve wildlife habitat, and protect migratory waterfowl. Program participants receive payments in exchange for granting a conservation easement on

eligible acres. The WRP also shares with landowners the cost of restoration measures.

In fiscal year 1992, funds were provided to operate a pilot program of up to 50,000 acres. The program was implemented in nine pilot States, and 49,888 acres have been tentatively accepted for enrollment. During the June 1992 signup, landowners demonstrated substantial interest in the restoration and protection of agricultural wetlands through permanent easements by submitting bids for about 249,000 acres. In February of this year, as directed, the Department submitted to Congress a report on the pilot program.

Congress prohibited additional signups in 1993 and provided no funding for 1993. However, program activity is taking place in 1993 as ASCS works with applicants to complete the lengthy process involved in establishing easements on acres accepted in the 1992 pilot program.

<u>Agricultural Conservation Program</u>

The Agricultural Conservation Program -- ACP -- shares with producers the cost of carrying out soil and water conservation and water quality measures on agricultural land. Nationwide in scope, the program is available to all farmers and ranchers who establish the need for cost-share assistance in solving a resource conservation problem. The program may pay up to 75 percent of the cost of eligible practices. Technical assistance is provided by the Soil Conservation Service and the Forest Service.

FY 1993 funding is $194.4 million, which includes allocations to States of $153 million for annual--type conservation practices, $20 million for long-term agreements, $15 million for Water Quality Incentive Projects of the type authorized under section 1439 of the FACT Act, and $5 million for other high priority water quality activities.

Emergency Conservation Program

The Emergency Conservation Program -- ECP -- assists producers in rehabilitating farmland damaged by natural disaster and in carrying out emergency water conservation measures during periods of severe drought. The program shares the cost of practices to restore the land to its productive capacity as it existed prior to the disaster and does not address pre-existing conservation problems.

As might be expected, funding needs for this program vary widely from year to year, depending upon the occurrence of natural disasters, which cannot be predicted with any accuracy. The fiscal year 1993 appropriation provided $3 million for the regular, or ongoing program. So far this fiscal year, $6.5 million, including recoveries of prior year funds, has been allocated to States to repair damage from drought, flood, tornadoes, and wildfires. However, as you know, special supplemental funding of $27 million was appropriated to help producers recover from the devastation caused by Hurricanes Andrew and Iniki and Typhoon Omar last fiscal year. The supplemental appropriation made $16.5 million immediately available and the remaining $10.5 million in contingency funding was released December 30, 1992. The full $27 million has been allocated to the four affected States and Guam. It is currently estimated that

these funds will cover about half the maximum eligible Federal cost share in the affected areas.

Water Bank Program

The purposes of the Water Bank Program -- WBP -- are to conserve water and preserve and improve habitat for migratory waterfowl and other wildlife through long-term agreements with landowners for the protection of wetlands. The program provides additional environmental benefits such as reducing runoff, contributing to flood control, improving water quality, improving subsurface moisture, and enhancing the natural beauty of the landscape.

Under the program, the Secretary enters into renewable 10-year agreements with owners or operators of eligible wetlands in authorized States. The participants agree not to drain, burn, fill, or otherwise destroy the enrolled wetlands, and in exchange receive annual rental payments. Funding of $18.6 million in fiscal year 1993 will bring about 109,000 acres under agreement.

Colorado River Basin Salinity Control Program

The Colorado River Basin Salinity Control Program is designed to reduce irrigated agriculture's contribution to the salt loading of the upper Colorado River and thus to support the nation's commitment to the 1973 International Boundary and Water Commission Agreement concerning the quality of water delivered downstream to users in the U.S. and Mexico. The program is authorized in the seven Basin States -- Arizona, California, Colorado, Nevada, New Mexico, Utah, and Wyoming.

The program is a coordinated effort among USDA agencies. SCS provides participants with technical assistance to identify salt source areas, develop conservation plans, and monitor and evaluate the results. ASCS provides cost-sharing assistance for installation of conservation practices. The Extension Service collaborates with the Agricultural Research Service and Cooperative State Research Service on research, education, and demonstration activities.

In fiscal year 1993, funding of $13.8 million is being used to support ongoing projects in Colorado, Utah, and Wyoming, and a new project in Nevada.

Forestry Incentives Program

The purpose of the Forestry Incentives Program -- FIP -- is to encourage the development, management, and protection of nonindustrial, private forest lands to increase the production of timber and enhance other forest resources. The program provides annual and long-term cost-sharing agreements with landowners in 47 States as well as technical assistance for planting trees on eligible land or improving a stand of trees.

The fiscal year 1993 funding level of $12.4 million will assist in planting an estimated 106.5 million trees as well as providing timberstand improvement on about 32,000 acres.

Dairy Indemnity Program

Under the Dairy Indemnity Program, ASCS compensates dairy farmers and manufacturers who, through no fault of their own, suffer income losses on milk or milk products removed from commercial markets due to residues of certain chemicals or other toxic substances. Payees are required to reimburse the Government if they recover their losses through other sources such as litigation. As of March 1, claims totaling approximately $66,000 have been authorized for payment during fiscal year 1993.

COMMODITY CREDIT CORPORATION

General

Farm commodity programs and selected export programs such as the CCC Export Guarantee program are financed through the Commodity Credit Corporation, a government entity for which ASCS provides operating personnel. The Corporation is managed by a Board of Directors, subject to the general supervision and direction of the Secretary of Agriculture. The Board consists of seven members, in addition to the Secretary, who are appointed by the President of the United States by and with the advice and consent of the Senate. The members of the Board and the Corporation's officers all are officials of the U.S. Department of Agriculture. Funds are borrowed by the Corporation from the Treasury to finance CCC programs, and the Corporation has the authority to have outstanding Treasury borrowings of up to $30 billion at any one time. Commodity support operations, handled primarily through loan, purchase and payment programs, include those for wheat, corn, soybeans, minor oilseed crops,

cotton (upland and extra long staple), rice, tobacco, milk and milk products, wool, mohair, barley, oats, sorghum, rye, honey, peanuts, and sugar.

Commodity Program Outlays

CCC total net outlays in fiscal year 1992 were $9.7 billion, a decrease of $0.4 billion from fiscal year 1991 outlays of $10.1 billion. Fiscal year 1993 outlays generally relate to the 1992 crops. Net outlays for fiscal year 1993 are projected at $17.1 billion, an increase of $7.4 billion over fiscal year 1992 outlays. Due to large 1992 crop year supplies, expenditures for feedgrains, wheat and upland cotton are considerably higher in fiscal year 1993. Higher export guarantee claims paid also contribute to the increase in estimated fiscal year 1993 outlays. Outlay projections for fiscal year 1994 are covered in the President's 1994 Budget that will be released soon.

Mr. Chairman, this concludes my prepared statement. I will be happy to answer your questions and those of the other Subcommittee Members.

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FARM SERVICE AGENCY

Purpose Statement

The 1994 budget includes a new Farm Service Agency (FSA) created from the USDA programs and staffs serving farmers through county offices. For budget presentation purposes, the agencies that would be consolidated include the Agricultural Stabilization and Conservation Service (ASCS), the Soil Conservation Service (SCS), and the Farmers Home Administration (FmHA). However, planning for the FSA is currently underway and may ultimately change this structure. The ASCS responsibilities for the commodity price and income support programs funded by the Commodity Credit Corporation (CCC) would be administered by the FSA. The proposed FSA would have a consolidated and streamlined field structure resulting in improved service to farmers and savings to the taxpayer.

The FSA will administer farm and housing programs, as well as a variety of commodity and land-use programs aimed at supporting farm prices, adjusting farm production, conserving natural resources, and protecting the environment at the local level. FSA will provide technical assistance in cooperation with soil conservation districts to land users, communities, watershed groups, Federal and State agencies, and other cooperators with erosion control and water management problems.

In FY 1994 the FSA will have 28,181 Federal staff-years and 13,988 county office (non-Federal) staff-years.

FARM SERVICE AGENCY

Available Funds and Staff Years
1992 Actual and Estimated 1993 and 1994

Item	1992 Actual		1993 Estimated		1994 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Salaries & Expenses, FSA	--	--	--	--	$1,594,148,000	15,818
Salaries & Expenses, ASCS	$719,191,000	3,003	$712,714,000	2,992	-- *	--
Credit Reform Transfers:						
P.L. 480 Program Account	573,000	10	1,036,000	18	1,057,000	17
CCC Export Loans Program Account	589,000	11	589,000	11	601,000	9
Total, Credit Reform Transfers	1,162,000	21	1,625,000	29	1,658,000	26
Total, Salaries and Expenses, ASCS	720,353,000	3,024	714,339,000	3,021	--	--
Salaries & Expenses, FmHA	29,232,830	396	24,190,000	450	-- *	--
Credit Reform Transfers:						
ACIF Program Account	230,179,000	3,870	215,712,000	3,982	264,432,000	4,737
RHIF Program Account	427,111,000	7,285	404,746,000	7,471	353,634,000	6,269
RDIF Program Account	13,286,000	691	35,539,000	532	27,560,000	391
RDLF Program Account	689,000	9	--	--	--	--
SHHLDF Program Account	21,000	--	21,000	--	14,000	--
Total, Credit Reform Transfers	671,286,000	11,855	656,018,000	11,985	645,640,000	11,397
Total, Salaries and Expenses, FmHA	700,518,830	12,251	680,208,000	12,435	--	--
Conservation Operations	564,250,768	9,911	576,517,200	10,149	-- *	--
River Basin Surveys & Investigations	13,251,000	200	13,251,000	198	-- *	--
Watershed Planning	9,545,000	156	9,545,000	155	-- *	--
Watershed & Flood Prevention Operations	255,266,000	1,429	287,227,000	1,481	149,953,000 *	--
Great Plain Conservation Program	25,271,000	172	25,271,000	167	16,307,000 *	--
Resource Conservation & Development	32,516,000	490	32,516,000	435	5,828,000 *	--
Agricultural Conservation Program	194,435,000	257	194,435,000	261	150,400,000 *	--
Colorado River Basin Salinity Control Program	14,783,000	131	13,783,000	129	8,499,000 *	--
Conservation Reserve Program	1,611,277,000	268	1,578,517,000	218	1,755,541,000 *	--
Dairy Indemnity Program	5,000	--	5,000	--	5,000	--
Forestry Incentives Program	12,446,000	--	12,446,000	--	11,504,000 *	--
Water Bank Program	18,620,000	34	18,620,000	12	17,130,000 *	--
Wetlands Reserve Program	46,357,000	--	--	118	370,260,000 *	--
Emergency Conservation Program	22,500,000	21	13,500,000	12	2,760,000 *	--
ACIF Program Account:						
Subsidy	366,982,000	--	245,521,000	--	252,220,000	--
Admin. expense, non-recoverable loan costs	--	--	14,467,000	--	14,412,000	--
RHIF Program Account						
Subsidy	591,825,000	--	663,078,000	--	750,674,000	--
Admin. expense, non-recoverable loan costs	--	--	22,265,000	--	22,180,000	--
Agricultural Resource Conservation Demo						
Subsidy	3,617,000	--	3,644,000	--	3,644,000	--
Self-Help Housing Land Development Fund						
Subsidy	43,000	--	22,000	--	23,000	--
Supervisory & Technical Assistance Grants	2,500,000	--	2,500,000	--	2,568,000	--
State Mediation Grants	3,750,000	--	3,000,000	--	3,000,000	--
Farm Outreach & Assistance Grants	--	--	--	--	10,000,000	--
Rental Assistance Program	319,900,000	--	337,699,000	--	421,817,000	--
Rural Housing for Domestic Farm Labor	21,500,000	--	11,000,000	--	11,297,000	--
Mutual and Self-Help Housing Grants	8,750,000	--	12,750,000	--	13,094,000	--
Very Low Income Housing Repair Grants	22,500,000	--	18,135,000	--	29,838,000	--
Compensation for Construction Defects	500,000	--	500,000	--	514,000	--
Rural Housing Preservation Grants	23,000,000	--	23,000,000	--	23,621,000	--
Total	5,606,26[illegible],598	28,344	5,527,[illegible]6[illegible],200	28,79[illegible]	6,288,535,000	27,24[illegible]
Deduct allotments to other agencies						
Forest Service	-4,232,[illegible]96	-50	-4,595,000	-57	-4,456,000	-57
Net	5,602,028,8[illegible]2	28,[illegible]94	5,523,[illegible]66,200	28,[illegible]34	6,284,079,[illegible]	27,[illegible]84

Item	1992 Actual Amount	Staff Years	1993 Estimated Amount	Staff Years	1994 Estimated Amount	Staff Years
Obligations under other USDA appropriations:						
Warehouse inspection	44.949.208	282	51.019.000	281	54.369 000	272
Foreign details & assignments	684.884	10	1.052.000	15	1.052.000	15
Soil surveys (FS)	239.411	7	246 000	7	246 000	7
Accelerated soil surveys	453.711	10	470.000	10	470 000	10
Snow surveys & water forecasting	7.000	--	8 000	--	8.000	--
Other-planning & application	389.746	4	401.000	4	401.000	4
Hazardous waste management	4.281.365	--	1,300.000	--	2.683.000	--
Facilities. rent. phone. utilities, etc.	5,901,960	--	6.074.000	--	6,076.000	--
Proceeds of sales	196.415	--	189,000	--	189,000	--
Miscellaneous	2,077,519	23	2,170,000	23	9,139,678	178
Total. Other USDA Appropriations	59,181,219	336	62,929,000	340	74,633,678	486
Total. Agricultural Appropriations	5,661,210,021	28,630	5,586,095,200	29,074	6,358,712,678	27,670
Obligations under other Federal appropriations:						
Appalachia Regional Development Admin.	12,090,520	2	10.092,000	2	10.093,000	2
Soil Surveys (Interior)	941,480	18	970.000	19	970,000	19
Accelerated soil surveys	819.998	12	829,000	13	829.000	13
Snow surveys & water forecasting	31,357	1	33,000	1	33,000	1
Other-planning & application	3,211,146	53	3,265,000	53	3,265,000	53
Plant material center operations	96,963	1	102,000	1	102,000	1
Cooperative surveys (RB)	55,000	1	60,000	1	60,000	1
Flood insurance studies (HUD)	170,831	4	250,000	4	250,000	4
Facilities rent, phone, utilities, etc.	32,559	--	54,000	--	54,000	--
Proceeds of sales	66,012	--	99,000	--	99,000	--
Financial assistance	2,479,899	--	1,085,000	--	2,486,000	--
Miscellaneous	4,725,189	74	5,987,000	69	4,138,000	50
Rural Abandoned Mine Program (DOI-OSM)	11,854,914	85	13,390,250	85	12,983,000	85
Total, Other Federal Funds	36,575,868	251	36,216,250	248	35,362,000	229
Obligations under non-Federal funds:						
Accelerated soil surveys	3,060,416	61	3,385,000	68	3,385,000	68
Snow surveys & water forecasting	78,535	--	84,000	--	84,000	--
Other-planning & application	2,340,299	57	2,428,000	56	2,428,000	56
Plant material center operations	205,615	--	216,000	--	216,000	--
Watershed planning	88,500	2	95,000	2	95,000	2
Abandon mine reclamation	3,889	--	5,000	--	5,000	--
Facilities. rent, phone, utilities, etc.	1,227,428	--	1,259,000	--	1,259,000	--
Proceeds of sales	565,561	--	587,000	--	587,000	--
Financial assistance	10,496,690	--	7,405,000	--	6,624,000	--
Miscellaneous	21,565,265	128	44,682,000	120	26,706,000	148
Trust Funds	1,813,803	9	560,000	9	501,000	8
Total, Non-Federal Funds	41,446,001	257	60,706,000	255	41,890,000	282
Total, Farm Service Agency	5,739,231,890	29,138	5,683,017,450	29,577	6,435,964,678	28,181

Note Staff-years shown do not include staff-years for ASCS county and community committee persons and employees of ASCS county committees who are not Federal employees

ASCS county employee staff-years are as follows

FY 1992 - 15,320
FY 1993 - 15,476
FY 1994 - 13,988

* All salaries and expenses previously appropriated to these accounts are now requested in the FSA Salaries and Expenses account. Amounts remaining in these accounts reflect financial and cost-share assistance only

FARM SERVICE AGENCY

Permanent Positions by Grade and Staff Year Summary

1992 Actual and Estimated 1993 and 1994

Grade	1992			1993			1994		
	Head-quarters	Field	Total	Head-quarters	Field	Total	Head-quarters	Field	Total
Executive Level V	1	0	1	1	0	1	1	0	1
ES-6	4	0	4	4	0	4	4	0	4
ES-5	11	1	12	11	1	12	11	1	12
ES-4	20	3	23	20	3	23	20	3	23
ES-3	5	2	7	5	2	7	5	2	7
ES-2	2	0	2	4	0	4	3	0	3
ES-1	5	1	6	6	2	8	5	2	7
GS/GM-15	148	155	303	147	157	304	138	150	288
GS/GM-14	271	252	523	281	243	524	265	226	491
GS/GM-13	436	1,440	1,876	449	1,430	1,879	432	1,378	1,810
GS-12	228	4,432	4,660	241	4,371	4,612	234	4,120	4,354
GS-11	114	5,152	5,266	120	5,058	5,178	115	4,762	4,877
GS-10	9	61	70	9	60	69	9	57	66
GS-9	85	3,537	3,622	85	3,492	3,577	82	3,288	3,370
GS-8	19	587	606	19	578	597	19	544	563
GS-7	138	2,912	3,050	139	2,870	3,009	135	2,703	2,838
GS-6	127	2,465	2,592	128	2,445	2,573	123	2,204	2,327
GS-5	81	2,939	3,020	83	2,921	3,004	80	2,753	2,833
GS-4	54	1,510	1,564	56	1,500	1,556	55	1,514	1,569
GS-3	8	191	199	8	189	197	8	168	176
GS-2	2	29	31	2	28	30	2	37	39
GS-1	0	8	8	0	8	8	0	8	8
Other Graded Positions	9	0	9	9	0	9	8	0	8
Ungraded Positions	10	94	104	10	94	104	10	86	96
Total Permanent Positions	1,787	25,771	27,558	1,837	25,452	27,289	1,764	24,006	25,770
Unfilled Positions: End-of-Year	-10	-708	-718	--	--	--	--	--	--
Total Permanent Employment, EOY	1,777	25,063	26,840	1,837	25,452	27,289	1,764	24,006	25,770
Ceiling Staff Years	1,891	27,247	29,138	1,918	27,659	29,577	1,840	26,341	28,181

FARM SERVICE AGENCY

SALARIES AND EXPENSES

There is hereby appropriated to the "Farm Service Agency" to carry out the functions of the Agricultural Stabilization and Conservation Service, The Farmers Home Administration, and the Soil Conservation Service, $[illegible], of which $[illegible] is hereby appropriated, and of which the following amounts for administrative expenses of credit programs made available in this Act are transferred from the identified accounts and merged under this head: $[illegible] from the Commodity Credit Corporation Export Loan Program Account, $[illegible] from the Public Law 480 Program Account, $264,432,000 from the Agricultural Credit Insurance Fund Program Account, $353,634,000 from the Rural Housing Insurance Fund Program Account, $27,560,000 from the Rural Development Insurance Fund Program Account, $21,000 from the Self-Help Housing Land Development Fund Program Account: Provided, That these funds shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $1,000,000 shall be available for employment under 5 U.S.C. 3109.

This change establishes a new salaries and expenses appropriation account for the Farm Service Agency. (FSA) created from the merger of the Agricultural Stabilization and Conservation Service, the Farmers Home Administration and the Soil Conservation Service. Funds are included for administrative expenses previously funded through the Commodity Credit Corporation.

FARM SERVICE AGENCY

SALARIES AND EXPENSES

	Appropriation	Program Resources	Total
Appropriations Act, 1993	—	—	—
Budget Estimate, 1994	$1,594,148,000	$647,298,000	$2,241,446,000
Increase in Appropriation	1,594,148,000	647,298,000	2,241,446,000

Adjustments in 1993:		
Appropriations Act, 1993:		
ASCS Salaries & Expenses	$714,551,000	
Technical Assistance from ASCS Conservation Accounts	26,162,000	
FmHA Salaries & Expenses	680,420,000	
SCS:		
Conservation Operations	576,539,000	
River Basin Surveys & Investigations	13,251,000	
Watershed Planning	9,545,000	
Watershed & Flood Prevention Operations	80,353,000	
Great Plains Conservation	8,904,000	
Resource Conservation & Development	26,841,000	
Transfer to OSEC a/	-636,000	
Transfer from Space Rental b/	190,200	
Transfer from CCC c/	88,581,000	
Adjusted base for 1993		2,224,701,200
Budget Estimate, 1994		2,241,446,000
Increase over adjusted 1993		16,744,800

a/ Reflects transfer of $636 thousand to Office of the Secretary.

b/ Reflects transfer of $190.2 thousand from the GSA space rental account.

c/ Reflects administrative equipment purchases and other related ADP costs which had been funded by the Commodity Credit Corporation.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1993 Estimated	Pay Costs	Other Changes	1994 Estimated
Salaries and Expenses	$1,567,058,200	$19,077,800	$8,012,000	$1,594,148,000
Program Accounts				
P.L. 480	1,036,000	23,000	-2,000	1,057,000
Export Credit	589,000	12,000	—	601,000
ACIF	215,712,000	3,385,000	45,335,000	264,432,000
RHIF	404,746,000	6,351,000	-57,463,000	353,634,000
RDIF	35,539,000	558,000	-8,537,000	27,560,000
SHHLDF	21,000	1,000	-8,000	14,000
Subtotal	2,224,701,200	29,407,800	-12,663,000	2,241,446,000
Transfers from program accounts	-657,643,000	-10,330,000	20,675,000	-647,298,000
Appropriation	1,567,058,200	19,077,800	8,012,000	1,594,148,000

PROJECT STATEMENT
(On basis of adjusted appropriation)
(Dollars in Thousands)

Project	1992 Actual Amount	1992 Actual Staff Years	1993 Estimated Amount	1993 Estimated Staff Years	Increase or Decrease	1994 Estimated Amount	1994 Estimated Staff Years
Farm Service Agency	--	--	--	--	$1,594,148	$1,594,148	15,818
ASCS Salaries & Expenses	$814,019	3,003	$827,457	2,992	-827,457	--	--
Transfer from:							
P.L. 480 program acct.	573	10	1,036	18	21	1,057	17
CCC Export Guarantees account	589	11	589	11	12	601	9
FmHA Salaries & Expenses	29,232	396	24,190	450	-24,190	--	--
Transfer from:							
ACIF program account	230,179	3,870	215,712	3,982	48,720	264,432	4,737
RHIF program account	427,111	7,285	404,746	7,471	-51,112	353,634	6,269
RDIF program account	13,286	691	35,539	532	-7,979	27,560	391
RDLF program account	689	9	--	--	--	--	--
SHHLDF program acct.	21	--	21	--	-7	14	--
SCS:							
Conservation Operations	564,251	9,911	576,517	10,149	-576,517	--	--
River Basin Surveys & Investigations	13,251	200	13,251	198	-13,251	--	--
Watershed Planning	9,545	156	9,545	155	-9,545	--	--
Watershed & Flood Prevention Operations	88,353	1,429	80,353	1,481	-80,353	--	--
Great Plains Conservation	7,742	172	8,904	167	-8,904	--	--
Resource Conservation & Development	25,989	490	26,841	435	-26,841	--	--
Total available or estimate	2,224,830	27,633	2,224,701	28,041	16,745	2,241,446	27,241
Less transfers from program accounts	-672,448	-11,876	-657,643	-12,014	10,345	-647,298	-11,423
ADP formerly paid from CCC	-60,251	--	-88,581	--	88,581	--	--
Technical assistance formerly paid from ASCS conservation cost sharing	-34,577		-26,162		26,162	--	--
Transfer from space rental		--	-190	--	190	--	--
Transfer to OSEC	294	--	636	--	-636	--	--
Total, Appropriation	1,457,848	15,757	1,452,761	16,027	141,387	1,594,148	15,818

JUSTIFICATION OF INCREASES AND DECREASES

A net increase of $16.745,000 composed of:

(a) An increase of $29.407.800 which reflects the annualization of the fiscal year 1993 pay raise.

(b) An increase of $28,915.000 for increases in non-salary costs.

Need for Change. These funds are necessary to offset increased operating costs. Continued absorption of these increased operating costs will severely affect the quality and quantity of our programs.

Nature of Change. This increase will be used to maintain a current level of services associated with inflation which will affect the critical parts of the program.

(c) An increase of $34,025,000 for technical assistance.

Need for Change. The Farm Service Agency will continue to provide technical assistance to agricultural producers to help ensure compliance with the conservation provisions of the Food Security Act of 1985 and the Food, Agriculture, Conservation and Trade Act of 1990 (FACT).

Nature of Change. The additional $34,025,000 would be used to support the 1990 FACT Act target of enrolling one million acres into the Wetland Reserve Program by the end of FY1995, and to support the one million acre Conservation Reserve Program signup expected in FY1994.

(d) A decrease of $13,723,000 which reflects a 3 percent reduction in administrative expenses from the amount made available for fiscal year 1993, adjusted for inflation.

Need for Change. To promote the efficient use of resources for administrative purposes, in keeping with the President's Executive Order, total USDA baseline outlays for these activities will be reduced by 3 percent in FY 1994, 6 percent in FY 1995, 9 percent in FY 1996 and 14 percent in FY 1997.

Nature of Change. In order to achieve this savings, the FSA will carefully monitor travel, training, supply purchases, printing and reproduction costs and utility usage.

(e) A decrease of $779,000 for FTS 2000 funding. This decrease reflects lower long distance telecommunications process due to price redeterminations in the FTS 2000 contracts.

(f) A decrease of $61 100,000 which reflects the consolidation of the Farmers Home Administration, the Agricultural Stabilization and Conservation Service and the Soil Conservation Service into the Farm Service Agency.

Need for Change. This reorganization is intended to provide USDA farm programs more economically and efficiently to rural farmers and residents while saving federal funds by streamlining the current field office structure of these three agencies

Need of Change. The current field office structure of these three agencies will be reduced from the current approximately 12,000 offices to a number which will serve rural communities without the redundant paperwork inherent in a three-agency delivery system.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses [(Including Transfers of Funds)]

[For necessary administrative expenses of the Agricultural Stabilization and Conservation Service, including expenses to formulate and carry out programs authorized by title III of the Agricultural Adjustment Act of 1938, as amended (7 U.S.C. 1301-1393); the Agricultural Act of 1949, as amended (7 U.S.C. 1421 et seq.); sections 7 to 15, 16(a), 16(f) and 17 of the Soil Conservation and Domestic Allotment Act, as amended (16 U.S.C. 590g-590o, 590p(a), 590p(f), and 590q); sections 1001 to 1004, 1006 to 1008, and 1010 of the Agricultural Act of 1970, as amended (16 U.S.C. 1501 to 1504, 1506 to 1508, and 1510); the Water Bank Act, as amended (16 U.S.C. 1301-1311); the Cooperative Forestry Assistance Act of 1978 (16 U.S.C. 2101); sections 202(c) and 205 of title II of the Colorado River Basin Salinity Control Act of 1974, as amended (43 U.S.C. 1592(c), 1595); sections 401, 402, and 404 to 406 of the Agricultural Credit Act of 1978 (16 U.S.C. 2201 to 2205); the United States Warehouse Act, as amended (7 U.S.C. 241-273); title XII of the Food Security Act of 1985, as amended (16 U.S.C. 3811 et seq.); and laws pertaining to the Commodity Credit Corporation, $714,551,000; of which $712,926,000 is hereby appropriated, and $1,036,000 is transferred from the Public Law 480 Program Account in this Act and $589,000 is transferred from the Commodity Credit Corporation Program Account in this Act: Provided, That other funds made available to the Agricultural Stabilization and Conservation Service for authorized activities may be advanced to and merged with this account: Provided further, That these funds shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $100,000 shall be available for employment under 5 U.S.C. 3109: Provided further, That no part of the funds made available under this Act shall be used (1) to influence the vote in any referendum; (2) to influence agricultural legislation, except as permitted in 18 U.S.C. 1913; or (3) for salaries or other expenses of members of county and community committees established pursuant to section 8(b) of the Soil Conservation and Domestic Allotment Act, as amended, for engaging in any activities other than advisory and supervisory duties and delegated program functions prescribed in administrative regulations.]

<u>This change</u> in language reflects the creation of the Farm Service Agency beginning in fiscal year 1994.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE
SALARIES AND EXPENSES

PROJECT STATEMENT
(On basis of appropriation and program account transfers)
(Dollars in Thousands)

	1992 Actual		1993 Estimated		Increase or Decrease	1994 Estimated 1/	
	Amount	Staff-Years	Amount	Staff-Years		Amount	Staff-Years
1. Program formulation and appraisal..................	$28,815	113	$29,625	110			
2. Operation of supply adjustment, conservation and price support programs..........................	669,765	2,636	688,585	2,569			
3. Inventory management and merchandising..........	80,216	316	82,471	308			
4. Warehouse examination.....................	251	5	196	5			
Total available or estimate....	779,047	3,070	800,877	2,992			
Transfer from CCC for ADP costs..........................	-60,251	-0-	-88,581	-0-			
Transfer to FAS for operation of CCC computer facility...	+395	-0-	+418	-0-			
Transfer to OSEC..................	+98	-0-	+212	-0-			
Total, Appropriation.............	719,289	3,070	712,926	2,992			

1/ Beginning in FY 1994, activities previously funded by ASCS Salaries and Expenses Account will be funded through the Farm Service Agency.

EXPLANATION OF PROGRAM

The account "Salaries and Expenses, Agricultural Stabilization and Conservation Service" funds the administrative expenses of program administration and other functions assigned to ASCS. The Budget for Salaries and Expenses, ASCS, reflects funding provided by direct appropriations. Funds made available to ASCS by other agencies for services associated with various programs are also advanced to and merged with this account including the transfer of funds for Credit Reform administrative expenses from other accounts. All administrative funds used by ASCS are consolidated into one account, which provides clarity and better management and control of funds. The consolidation facilitates accounting, fiscal, and budgetary work by eliminating the necessity for making individual allocations and allotments and maintaining and recording obligations and expenditures under numerous separate accounts. The activities carried out under this account are as follows:

1. Program formulation and appraisal. The supply adjustment, conservation, and commodity support programs have a major impact on the national and, to a lesser extent, the international economy. This activity provides for the development and constant review of the effectiveness of these programs. It also provides for the analysis of data to formulate more effective programs.

2. Operation of supply adjustment, conservation, and price support programs. This activity includes all functions dealing with the administration of programs carried out through the farmer committee system, including (a) developing program regulations and procedures; (b) holding meetings with employees and producers to discuss new programs or changes in existing programs; (c) collecting and compiling basic data for individual farms; (d) establishing individual farm allotments, bases, and yields; (e) notifying producers of established allotments, bases, and yields; (f) determining farm marketing quotas; (g) handling appeals; (h) conducting referendums and certifying results; (i) accepting farmer certifications and checking compliance; (j) accepting producer applications for participation in commodity price stabilizing programs; (k) issuing marketing cards so that production from the allotted acreage can be marketed without penalty; (l) processing producer requests for conservation cost-sharing and issuing conservation reserve rental payments; (m) producer signups and entering into easement agreements for the Wetlands Reserve Program; (n) processing commodity, storage facility, and grain reserve loans and repayments and issuing checks; (o) processing disaster and deficiency payments and issuing checks and commodity certificates; and (p) certifying payment eligibility and monitoring payment limitations.

3. Inventory management and merchandising. This activity includes: (a) overall management of CCC-owned commodities; (b) purchasing commodities; (c) donating commodities; (d) selling commodities (e) processing the redemption of commodity certificates for CCC inventory; and, (f) accounting for loans and commodities.
The foregoing activities serve as administrative support for the following missions of the Department as described previously under Foreign Assistance Programs, Agricultural Stabilization and Conservation Service, and Commodity Credit Corporation, respectively:

- o Agricultural exports
- o Environmental improvement and resource development and use
- o Farm income

4 Warehouse Examination. This activity provides for the examination of warehouses licensed under the U.S. Warehouse Act and non-licensed warehouses storing CCC-owned or pledged commodities. ASCS examiners perform periodic examinations of the facilities and the warehouse records to ensure protection of depositors against potential losses of the stored commodities and to ensure compliance with the U.S. Warehouse Act and any CCC storage agreements

The following tabulation shows totals in this account for administrative expenses:

Project	1992 Actual	1993 Estimated	1994 Estimated 1/
The obligations are distributed by activities as follows:			
1. Program formulation and appraisal..........	$30,906,000	$32,787,000	
2. Operation of supply adjustment, conservation, & price support programs..	718,363,000	762,085,000	
3. Inventory management and merchandising...	86,037,000	91,274,000	
4. Warehouse examination..........................	7,845,000	8,630,000	
Total..	$843,151,000	$894,776,000	
Obligations under direct appropriation............	719,289,000	712,926,000	
Obligations under funds from other sources and consolidated with this account...........	123,862,000	181,850,000	
Total..	843,151,000	894,776,000	

1/ Beginning in FY 1994, activities previously funded by ASCS Salaries and Expenses Account will be funded through the Farm Service Agency.

HOW ESTIMATES ARE MADE

Following is a brief description of the process for estimating requirements for Salaries and Expenses, ASCS:

County Offices. A work measurement study is made in approximately 160 counties to determine actual time required to complete units of work by category. Time and units reported by these work measurement counties are used to establish coefficients. Coefficients are then applied to units of work reported by all 2,646 headquarter counties for each category of work in each major program or function. Unmeasured work reflects other activities, less subject to this work measurement technique, which are recorded on an actual workday basis. This determines the normal work–days required for the workload involved in each fiscal year. The workload for each major program or function is shown in Table I and reflects changing program requirements.

The actual obligations for 1992, divided by the actual work–years, determined the average work–year cost for 1992. This cost was revised for 1993 and 1994 to reflect related pay adjustments and for changing workload and personnel requirements.

State, Field, and National Office Costs. Requirements for these offices are determined on the basis of past experience and program workload requirements. Table II reflects volume by major activity for field and national offices.

COMPUTATIONS FOR DEVELOPING
COUNTY OFFICE AND TOTAL COSTS

The computations below include all funds (CCC transfers, appropriated funds, user fees, other advances and reimbursements) available to Salaries and Expenses, ASCS:

Fiscal Year 1992

Normal work-days (Table 1)		3,983,253
Work-years for workload programs	a/	15,320
Obligations for workload programs (county offices)	a/	$579,111,000
Obligations for other offices		$264,040,000
Total obligations, fiscal year 1992		$843,151,000

Fiscal Year 1993

Normal work-days (Table 1)		4,023,787
Work-years for workload programs	a/	15,476
Obligations for workload programs (county offices)	a/	$587,090,000
Obligations for other offices	b/	$307,686,000
Total obligations, fiscal year 1993		$894,776,000

Fiscal Year 1994 c/

a/ The following work-years and funds are included for reimbursable county office workload associated with the Federal Crop Insurance Act of 1980.

	FY 1992		FY 1993		FY 1994 c/	
	Work-years	Dollars	Work-years	Dollars	Work-years	Dollars
FCIC	175	$5,125,000	178	$6,206,000		

b/ Includes an estimate of $5,679,000 for reimbursable workload in Federal offices associated with the sale and service of crop insurance policies sold by ASCS. This estimate is based on sale and service of $25 million in premium at a reimbursement rate of 25.7 percent of premium collected.

c/ Beginning in FY 1994, activities previously funded by ASCS Salaries and Expenses Account will be funded through the Farm Service Agency.

TABLE 1

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE
SALARIES AND EXPENSES, ASCS

Normal Work–Days by Program/Function
FY 1992 Actual, FY 1993 Estimated and FY 1994 Projected

Program/Function	FISCAL YEAR 1992 Actual	1993 Estimated	1994 Projected 1/
Conservation and Related Programs	356,212	388,477	
Wool and Mohair	21,170	21,170	
Loan Activity	198,501	300,416	
Compliance	696,281	713,633	
Yield and Base Establishment	201,105	181,400	
Commodity Program Payments	602,294	533,015	
Basic Farm Records	501,824	498,100	
Peanut Quotas and Marketings	22,011	22,011	
Tobacco Allotment and Marketings	65,740	65,740	
Referenda	2,985	130	
Administration	883,772	872,771	
Committee Elections	36,122	36,122	
Miscellaneous	163,900	149,865	
State and County Office Automation Project	15,569	15,569	
Adjustment for transition to one Farm Service Agency	0	0	
Subtotal	3,767,486	3,798,419	
Measurement Services	170,141	179,016	
FCIC and Reinsured Companies	45,626	46,352	
Total	3,983,253	4,023,787	
County Staff Year Equivalent of Normal Workdays	15,320	15,476	

1/ Beginning in FY 1994, activities previously funded by ASCS Salaries and Expenses Account will be funded through the Farm Service Agency.

TABLE II

COMMODITY CREDIT CORPORATION
Summary of Major Program Volume by Commodity
(In thousands)

Item and Commodity	Units	FY 1992 Actual	FY 1993 Estimated	FY 1994 Estimated 1/
1. LOANS MADE				
Upland Cotton	(bales)	6,428	7,361	
Corn	(bu)	994,376	1,723,300	
Grain Sorghum	(bu)	21,032	58,000	
Rice, Rough	(cwt)	108,628	116,950	
Wheat	(bu)	169,187	348,000	
Soybeans	(bu)	157,395	252,607	
Minor Oilseeds	(cwt)*	2,944	1,608	
Other Grains	(bu)**	36,706	49,722	
Honey	(lb)	119,337	115,774	
ELS Cotton	(bales)	32	190	
2. LOAN COLLATERAL FORFEITURES				
Upland Cotton	(bales)	2	0	
Corn	(bu)	757	247	
Grain Sorghum	(bu)	65	31	
Rice, Rough	(cwt)	345	148	
Wheat	(bu)	142	123	
Soybeans	(bu)	223	1,779	
Minor Oilseeds	(cwt)*	195	98	
Other Grains	(bu)**	8	0	
Honey	(lb)	2,350	3,766	
ELS Cotton	(bales)	0	0	
3. DISPOSITIONS				
Upland Cotton	(bales)			
Regular		0	3	
Certificates		252	534	
Total		252	537	
Corn	(bu)			
Regular		73,937	65,198	
Certificates		174,500	19,400	
Total		248,437	84,598	
Grain Sorghum	(bu)			
Regular		21,069	11,793	
Certificates		33,900	0	
Total		54,969	11,793	
Rice, Rough	(cwt)			
Regular		7,194	5,735	
Certificates		16,650	0	
Total		23,844	5,735	

(continued next page)

TABLE II (continued)

Item and Commodity		Units	FY 1992 Actual	FY 1993 Estimated	FY 1994 Estimated 1/
Wheat		(bu)			
	Regular		116,327	70,641	
	Certificates		580	0	
	Total		116,907	70,641	
Soybeans		(bu)			
	Regular		91	2,607	
	Certificates		2	0	
	Total		93	2,607	
Minor Oilseeds		(cwt)*			
	Regular		41	254	
	Certificates		21	0	
	Total		62	254	
Other Grains		(bu)**			
	Regular		2,369	2,533	
	Certificates		10	0	
	Total		2,379	2,533	
Honey		(lb)			
	Regular		7,407	6,000	
	Certificates		0	0	
	Total		7,407	6,000	
ELS Cotton		(bales)			
	Regular		0	0	
	Certificates		0	0	
	Total		0	0	
4. ENDING INVENTORIES					
Upland Cotton		(bales)	3	0	
Corn		(bu)	129,351	68,621	
Grain Sorghum		(bu)	8,307	1,100	
Rice, Rough		(cwt)	437	0	
Wheat		(bu)	151,529	147,000	
Soybeans		(bu)	149	0	
Minor Oilseeds		(cwt)*	159	3	
Other Grains		(bu)**	5,623	3,000	
Honey		(lb)	4,097	1,863	
Els Cotton		(bales)	0	0	

*Includes sunflower seed, canola, flaxseed, grapeseed, mustard seed and safflower seed.
** Includes barley, oats, and rye.

1/ Beginning in FY 1994, activities previously funded by ASCS Salaries and Expenses Account will be funded through the Farm Service Agency.

ADP Activities

ADP in ASCS is integral to the agency's long range Information Resources Management Plan. The plan calls for the utilization of modern technology wherever it is feasible and cost-beneficial. ASCS has implemented a national network of computer systems in support of CCC operations. All State and county ASCS offices now utilize computer-based procedures to conduct day-to-day support to producers. This distributed network approach has dramatically reduced the agency's previous dependency upon traditional hand prepared forms and documents.

Most farm and producer data are currently maintained on the county office computers for processing purposes only and are automatically accessed, used, and updated simultaneously while servicing the producers. This platform reached the end of its system life in 1992. The agency is in the process of identifying technologies that can be used to extend the system life of this platform until updated technology can be acquired and implemented.

Agricultural Stabilization and Conservation Service
Salaries and Expenses
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1992 and Estimated 1993

State	1992 Amount	1992 Staff-Years	1993 Amount	1993 Staff-Years	1994 1/ Amount	1994 1/ Staff-Years
Alabama	14,478,127	31	14,357,162	31		
Alaska	783,725	4	777,177	4		
Arizona	2,771,535	12	2,748,379	12		
Arkansas	15,022,389	29	14,896,876	29		
California	10,248,884	23	10,163,254	23		
Colorado	9,356,549	21	9,278,375	21		
Connecticut	1,447,388	6	1,435,295	6		
Delaware	1,064,370	7	1,055,478	7		
District of Columbia	119,604,906	765	148,888,000	717		
Florida	8,095,455	22	8,027,817	22		
Georgia	22,626,871	41	22,437,822	40		
Hawaii	649,562	5	644,135	5		
Idaho	8,434,877	20	8,364,403	19		
Illinois	32,683,585	36	32,410,512	36		
Indiana	20,913,460	28	20,738,727	28		
Iowa	37,654,783	36	37,340,176	35		
Kansas 1/	33,785,100	1,457	31,559,394	1,429		
Kentucky	20,272,333	32	20,102,956	32		
Louisiana	11,748,232	25	11,650,075	25		
Maine	2,832,330	9	2,808,666	9		
Maryland	4,510,675	11	4,472,988	11		
Massachusetts	1,562,723	7	1,549,666	7		
Michigan	17,316,660	26	17,171,979	26		
Minnesota	22,997,612	30	22,805,466	30		
Mississippi	16,915,828	36	16,774,496	36		
Missouri	26,135,177	32	25,916,817	32		
Montana	11,757,668	22	11,659,433	22		
Nebraska	30,205,258	37	29,952,892	37		
Nevada	1,297,396	6	1,286,556	6		
New Hampshire	1,361,842	6	1,350,464	6		
New Jersey	1,736,426	7	1,721,918	7		
New Mexico	4,352,621	14	4,316,254	14		
New York	9,246,455	20	9,169,200	20		
North Carolina	23,502,820	36	23,306,453	36		
North Dakota	20,503,412	29	20,332,105	29		
Ohio	20,125,456	31	19,957,307	30		
Oklahoma	16,088,484	30	15,954,064	30		
Oregon	6,399,115	18	6,345,650	18		
Pennsylvania	11,910,791	20	11,811,276	20		
Puerto Rico-Virgin Islands	1,048,024	20	1,039,268	20		
Rhode Island	529,206	3	524,785	3		
South Carolina	10,105,379	25	10,020,948	25		
South Dakota	17,921,501	23	17,771,766	23		
Tennessee	19,215,979	33	19,055,430	33		
Texas	54,141,189	71	53,688,837	72		
Utah 1/	3,639,563	114	3,609,155	118		
Vermont	1,952,141	7	1,935,831	7		
Virginia	13,347,788	28	13,236,267	28		
Washington	7,043,661	18	6,984,811	18		
West Virginia	6,054,483	16	6,003,897	16		
Wisconsin	18,414,297	27	18,260,445	27		
Wyoming	3,232,909	12	3,205,897	12		
Direct Obligations Estimates	779,047,000		800,877,000			
Undistributed Reimbursements	64,104,000		95,524,000			
Total, Available or Estimate	$843,151,000	3,424	$896,401,000	3,349		

1 Included are the staff-years for Kansas City & Aerial Photography Field Offices respectively (See breakdown below)

	1992 Staff-Years	1993 Staff-Years	1994 Staff-Years
Kansas			
Kansas City Field Offices	1,278	1,249	
Kansas City Warehouse Function	144	145	
Subtotal	1,422	1,394	
Utah			
APFO	99	103	

1 Beginning in FY 1994 activities previously funded by ASCS Salaries and Expenses Account will be funded through the Farm Service Agency

SALARIES AND EXPENSES

STATUS OF PROGRAM

The Salaries and Expenses account includes funds to cover expenses of programs administered by, and functions assigned to, the Agricultural Stabilization and Conservation Service (ASCS). The funds comprising this consolidated account in fiscal year 1992 were by direct appropriation, transfers from the Commodity Credit Corporation (CCC) Export Guarantee Loans Program account, the Public Law 480 Loans program account, and various advances and reimbursements from other sources including user fees.

Responsibility for administration of ASCS farm programs in the field is vested in Agricultural Stabilization and Conservation (ASC) farmer committees. ASC State committees consist of three to five farmer members appointed by the Secretary of Agriculture for a period of one year. ASC county and community committees are elected by farmers who are participating or eligible to participate in any ASCS program.

The Kansas City Commodity Office and Kansas City Management and Financial Management Offices have management responsibility for the proper storage, merchandising, and accounting for CCC-owned inventory. They initiate movements of commodities as necessary from local storage points to interior and terminal warehouses. These commodities are eventually sold or otherwise disposed of in accordance with policies established under law.

The principal activities of ASCS include administration and related activities for production adjustment programs, conservation programs, price support programs, and warehouse examination programs.

Major ASCS programs and related work volume for fiscal year 1992 are described below.

<u>Acreage Allotments, Poundage Quotas, and Marketing Quotas</u>. In accordance with the provisions of the Agricultural Adjustment Act of 1938 and its later amendments, allotment and marketing quota programs were in effect for the 1992 crop of most types of tobacco, and poundage quotas were in effect for peanuts. No marketing quota or poundage quota program can be put into effect without the approval of at least two-thirds of the producers voting in a national referendum.

The current program for each crop is as follows:

Peanuts - Poundage quotas were approved for the 1991-95 crops.

Burley tobacco - Marketing quotas on a poundage basis were approved for the 1992-94 crops. Poundage quotas have been in effect since 1971.

Flue-cured tobacco - Marketing quotas on an acreage/poundage basis were approved for the 1992-94 crops. Acreage/poundage quotas for flue-cured tobacco have been in effect since 1965.

Dark air-cured and fire-cured tobacco - Marketing quotas with acreage allotments were approved for the 1991-93 crops.

Sun-cured tobacco - Marketing quotas with acreage allotments were approved for the 1992-94 crops.

Cigar filler and binder tobacco - Marketing quotas with acreage allotments were approved for the 1990-92 crops.

Number of peanut farms with poundage quotas..........	43,967
Number of [illegible] farms with allotments..............	395,817

Agricultural Conservation Program. This program is carried out under the authority contained in sections 7 to 16(a), inclusive, 16(f) and 17 of the Soil Conservation and Domestic Allotment Act, as amended. Objectives stated in the Act include (1) restoring and improving soil fertility, (2) reducing erosion caused by wind and water, (3) conserving water on the land, and (4) encouraging energy conservation in farming operations. The program focuses on the highest priority resource problems and the most cost-effective practices for dealing with these problems.

Cost-sharing assistance is made available to farmers and ranchers in the 50 States, Northern Mariana Islands, Guam, Puerto Rico, and the Virgin Islands for carrying out approved soil-building and soil- and water-conserving practices on their farms. Federal assistance generally covers approximately 50 percent of the cost of carrying out the practice, although up to 75 percent is authorized for certain practices. The farmer pays the balance of the cost and often supplies the labor and management necessary to carry out the practice.

Activities in fiscal year 1992 included:

Number of payment applications	190,148
Number of long-term agreements	18,308
Number of annual agreements	266,647

Feed Grain, Wheat, Cotton and Rice Direct Payment Programs. The main objectives of these programs under provisions of the Food, Agriculture, Conservation, and Trade Act of 1990 (FACT) are to provide price and income protection for farmers and to ensure consumers an adequate supply of food and fiber at reasonable prices. The FACT Act of 1990, applicable for crop years 1991 through 1995, continues the payment provisions of earlier legislation but with several major changes. Deficiency payments in the FACT Act of 1990 have specified target prices "frozen" at 1990 levels through 1995. The FACT Act of 1990 continues discretionary authority to make "loan deficiency" payments to producers who, although eligible, agree to forgo obtaining a loan in return for such payments. As with earlier legislation, authority is continued in the FACT Act of 1990 to offer a voluntary paid land diversion program to producers if additional reduction in planted acres is needed. The FACT Act of 1990 continues eligibility for disaster payments to peanut, soybean, and sugar producers in addition to wheat, feed grain, cotton, and rice producers if prevented from planting their intended crops due to natural disaster or if Federal crop insurance payments and other Federal aid is found insufficient to alleviate an economic emergency. Payments due under the various programs may be made in cash, in kind from CCC-owned stocks, or in negotiable certificates redeemable for CCC-owned commodities.

Activities in fiscal year 1992 included:

Number of commodity bases	5,380,088
Percent of wheat acreage bases enrolled in program	82.2%
Percent of feed-grain acreage bases enrolled in program	73.3%
Percent of cotton acreage bases enrolled in program	86.5%
Percent of rice acreage bases enrolled in program	93.0%
Number of deficiency payments made	6,961,989
Dollar value of deficiency payments made in cash	$5,491,055,323

Loan and Price Support Program. Support is mandatory for the commodities designated as "basic" in the Agricultural Act of 1949, as amended -- tobacco, peanuts, cotton, wheat, corn, and rice -- and for certain nonbasic commodities -- barley, oats, rye, grain sorghum, honey, sugar, soybeans, other oilseeds (canola, rapeseed, flaxseed, sunflower seed, and mustard seed), seed cotton, milk, and milk products. The Secretary is also authorized, but is not required, to make support available on other nonbasic commodities. Support is available to producers through loans, payments, and purchases. The FACT Act of 1990 continues to make marketing loans available to producers of rice, honey and upland cotton through 1995. Marketing loans allow commodity marketing repayments at less than the original loan principal.

Activities under the program include the maintenance and supervision of farmer-held reserves, reinspection of commodities under farm-stored loans, processing of loans and loan repayments, and acquisition of commodities. Loan and price support program activities in fiscal year 1992 included:

Commodity	Number of Loans	Dollar Value of Loans ($000)
Corn	74,705	$1,580,266
Grain Sorghum	2,483	32,677
Barley	3,911	44,540
Wheat	21,817	359,286
Rice	19,891	700,920
Cotton	50,241	1,608,921
Soybeans	39,023	782,217
Minor Oilseeds	1,733	26,535
Tobacco	N/A	258,214
Sugar	237	892.750
Other	10,249	291,294
Total	224,290	$6,577,620

Reinspection of farm-stored loans	318,886
Number of farm-stored loans taken over	668
Number of warehouse loans acquired (except cotton)	249
Number of farm-stored reserve loans	5,328
Number of warehouse-stored reserve loans	1,075
Number of active reserve loans (farm and warehouse)	9,623

Certificate Programs. The FACT Act of 1990 extends the authority for a number of programs which provide for payments to be made in commodity certificates. These programs include the Market Promotion Program (formally the Targeted Export Assistance Program) and the Export Enhancement programs, designed to maintain and expand export markets for U. S. agricultural commodities and counter unfair trade practices by foreign competitors; the Ethanol Plant Assistance Program to encourage the use of grain in the production of ethanol fuel; and the issuance of marketing certificates to rice producers and cotton warehousemen to increase these commodities' competitiveness in world markets. The Dairy Export Incentive Program (DEIP) was authorized through calendar year 1995 by the Food Security Act of 1985, as amended by the FACT Act of 1990, to provide subsidies to exporters of U. S. products to help them compete with other subsidizing nations.

In fiscal year 1992, the total CCC value of certificates issued for all purposes, including the above programs, was $626,173,942. Commodity certificate activity in fiscal year 1992 included:

Number of Commodity Certificates issued	76,231
Number of Commodity Certificates redeemed	73,333

Conservation Reserve Program. Section 1231 of the Food Security Act of 1985, as amended by the FACT Act of 1990, requires the Secretary of Agriculture to assist in conserving and improving the nation's soil and water resources by removing from production for a decade or more as much as 44 million acres of highly erodible or environmentally sensitive cropland. Additional program benefits are improving wildlife habitat and reducing production of some commodities that have been in surplus. Farmers must reduce the aggregate total of crop acreage bases for the contract period based on the ratio of total cropland acreage and the amount subject to CRP contract.

Under the Conservation Reserve Program, farmers may sign a 10-15 year contract with USDA to take eligible land out of annual crop production and put it into perennial grass, wildlife plantings, windbreaks, or trees. Under the FACT Act of 1990, farmers also have the option to enter a 15-30 year "useful life easement" agreement. In either case, USDA agrees to provide annual rental payments, in cash or commodities, at a rate determined through a bid process, and to share half the cost of establishing permanent cover on the land.

Activities in fiscal year 1992 included:

Number of active Conservation Reserve Program contracts....	359,498
Number of Conservation Reserve Program cost-share payments..	41,667
Amount of Conservation Reserve Program cost-share payments.	$39,315,888
Number of Conservation Reserve Program rental payments.....	464,496
Amount of Conservation Reserve Program annual rental payments	$1,612,477,224

Wool Act Program. This incentive program, authorized by the National Wool Act of 1954, uses mandatory payments to encourage domestic production of wool and mohair. The FACT Act of 1990 extends the program through December 31, 1995, and establishes payment limitations.

Payments on shorn wool and mohair are based on the percent by which the support level exceeds the average return received by all producers. Individual payments are determined by applying this percentage to the producer's net proceeds from the sale of wool or mohair. This method encourages producers to improve the quality and marketing of their wool or mohair, as a better market price earns a higher support payment.

The law also provides for a payment on sales of unshorn lambs. This payment is made at a rate comparable to the shorn wool payment and is designed to encourage the marketing of lambs without shearing the wool. ASCS county offices receive applications for incentive payments and issue payments to eligible producers.

Number of payments in fiscal year 1992	78,589
Gross Amount of wool and mohair payments.................	$187,048,152

Dairy Termination Program. The Food Security Act of 1985 required the Secretary of Agriculture to operate a milk production termination or "whole-herd buyout" program for an 18-month period beginning April 1, 1986. Under this program, participating producers receive payments from the Commodity Credit Corporation, based on bids submitted to the Secretary in exchange for discontinuing milk production. Producers were required to sell all female dairy cattle for slaughter or export, to have no ownership interest in milk production or dairy cattle for 5 years, and to ensure that their facilities are not used for milk production purposes during that time.

Producers submitted bids on a per hundredweight basis of their contract base. A producer's contract base was the lower of his marketings during July 1984 - June 1985 or during calendar year 1985. Bids were accepted to end production in three periods: April - August 1986, September 1986 - February 1987, and March -August 1987. Payments totaling about $1.8 billion were made over a seven-year period covering fiscal years 1986 through 1992, the final year of the program.

Number of Dairy Termination Program payments in fiscal year 1992	512
Amount of Dairy Termination Program payments in fiscal year 1992	$2,380,738

Warehouse Examination Program. The primary objectives of this program are to (1) protect producers and others, including the Commodity Credit Corporation, who store their commodity in public warehouses; (2) ensure the integrity of warehouse receipts as documents of title to be used as collateral for loans, and to facilitate trading in interstate commerce of agricultural commodities; and (3) set and maintain a standard for sound warehouse operations.

Under the provisions of the U.S. Warehouse Act, ASCS licenses public warehousemen storing agricultural products; licenses weighers, graders and samplers of such products; and supervises the operations of those licensed to ensure compliance with the U.S. Warehouse Act.

Applications for licenses are filed by warehousemen on a voluntary basis. Before licensing, the applicant's storage facilities and operations are examined to determine if they qualify for licensing under the terms of the Act and regulations. After the initial license is issued, the Act provides for examinations of the adequacy of warehouse records, the condition and contents of the warehouse, and audits of the financial records by a public or certified accountant. The licensee is authorized to issue Federal warehouse receipts for products deposited for storage, which are vital instruments in the marketing and financing of farm production.

Warehouse examination services for grain and other warehouses, except cotton, began operating on a user fee basis in fiscal year 1982 according to provisions of the Omnibus Reconciliation Act of 1981. Fees, based on storage capacity, are collected from industry users licensed under the Act and non-licensed users who have storage contracts with CCC.

Licenses, contracts, and examinations in fiscal year 1992 included:

U.S. Warehouse Act Activities	
Number of licenses in effect	1,610
Number of examinations:	
Grain	2,835
Cotton	271
Other	34
Non-Federally Licensed Activities	
Number of contracts in effect	1,861
Number of examinations:	
Grain	1,903

Disaster Assistance. The FY 1992 Dire Emergency Supplemental Appropriations and Transfers Act, P.L. 102-229, enacted December 12, 1991, provided disaster payments for low yield 1990, 1991, or 1992 crops, cost-share assistance for loss of tree seedings, assistance for emergency livestock feed, and other emergency provisions due to damaging weather or related conditions. The initial portion of the legislation provided for payments to producers with either 1990 or 1991 eligible tree assistance program and program/non program crop losses. During the initial signup period (February 3, 1992 - March 13, 1992), eligible producers on a farm were limited to receiving assistance in only one of the two crop years. The remaining portion of the funding appropriated by P.L. 102-229 was made available by request of the President on September 2, 1992, for disaster payments on 1990, 1991, or 1992 program/non program crop losses. The FY 1992 Supplemental Appropriations, Transfers, and Rescission Act, P.L. 102-368, enacted September 23, 1992, provided additional funding for eligible program/non program crop losses associated with natural disasters such as Hurricanes Andrew and Iniki and Typhoon Omar. An initial amount of appropriated funding was available immediately, with an additional amount available only when an official budget request is submitted by the President. In order to pay claims at the same prorated factor as the first payments on 1990 and 1991 crops, use of CCC funds is also authorized as necessary.

During the signup period from September 8, 1992 to February 12, 1993, eligible producers can elect to receive payments for losses in any one of the three crop years, except a year that has been previously selected for assistance. Since it was determined that a payment rate of at least 50.04 percent would be used for crop losses approved under the disaster program, issuance of payments began October 21, 1992 for crops planted in 1991 for harvest in 1992, and November 6, 1992 for other eligible 1990, 1991, and 1992 program/non program crops. Disaster payments for 1990, 1991, and 1992 losses are made in the manner specified in Title XXII of the Food, Agriculture, Conservation and Trade Act of 1990 (the 1990 Act). Under these provisions, program crop losses are made at 65 percent of the target price of the commodity, while non program crop losses are made at 65 percent of the market price of the commodity. Eligibility for assistance is limited to producers with gross revenues of less than $2 million, and payments to any person cannot exceed $100,000. The 1990 Act also prohibits duplicate disaster and deficiency payments on the same bushel of lost production and provides that claims in excess of available funding be prorated among eligible producers.

A separate appropriation for the Tree Assistance Program (TAP) of $48 million was provided to cover costs associated with replanting, reseeding, or repairing damage resulting from disasters. The program activities associated with the Disaster Acts in fiscal year 1992 included:

Number of applications for Livestock Feed Programs (LFP).....	108,854
Number of cost-share assistance applications paid under LFP..	19,140
Amount of LFP cost-share assistance payments issued in cash..	$94,440,952
Number of Emergency Haying and Grazing applications..........	152,429
Number of Commodities reported on applications for disaster credit..	828,940
Number of disaster-related farm visits for disaster credit...	89,629
Number of disaster appraisals for Disaster Assistance Program Payments and non-program crops.................	106,135
Number of certifications of Crop Insurance for Disaster Assistance..	1,139,054
Amount of 1990/91 Crop Disaster Payments issued in cash......	$962,542,185
Number of applications for the Tree Assistance Program.......	6,802
Amount of cost-share payments for the Tree Assistance Program issued in cash...............................	$6,567,839

PROPOSED LANGUAGE CHANGES

FARMERS HOME ADMINISTRATION

The FY 1994 Estimates include proposed language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses:

For necessary expenses of the Farmers Home Administration, not otherwise provided for, in administering the programs authorized by the Consolidated Farm and Rural Development Act (7 U.S.C. 1921-2000), as amended; title V of the Housing Act of 1949, as amended (42 U.S.C. 1471-1490o); the Rural Rehabilitation Corporation Trust Liquidation Act, approved May 3, 1950 (40 U.S.C. 440-444), for administering the loan program authorized by title III-A of the Economic Opportunity Act of 1964 (Public Law 88-452 approved August 20, 1964), as amended, and such other programs which the Farmers Home Administration has the responsibility for administering, [$679,920,000] $675,394,000; of which [$23,802,000] $29,754,000 is hereby appropriated, [$404,746,000] $353,634,000 shall be derived by transfer from the Rural Housing Insurance Fund Program Account in this Act and merged with this account, [$215,712,000] $264,432,000 shall be derived by transfer from the Agriculture Credit Insurance Fund Program Account in this Act and merged with this account, [$35,539,000] $27,560,000 shall be derived by transfer from the Rural Development Insurance Fund
1 Program Account in this Act and merged with this account, [$100,000 shall be derived by transfer from the Alcohol Fuels Credit Guarantee Program Account in this Act and merged with this account,] and [$21,000] $14,000 shall be derived by transfer from the Self-Help Housing Land Development Fund Program Account in this Act and merged with this account: Provided, That not exceed $500,000 of this appropriation may be used for employment under 5 U.S.C. 3109: Provided further, That not to exceed $4,242,000 of this appropriation shall be available for contracting with the National Rural Water Association or other equally qualified national organization for a circuit rider program to provide technical assistance for rural water
2 systems: Provided, That this appropriation is available for
3 subscriptions to newspapers and periodicals. [Provided further, That, in addition to any other authority that the Secretary may have to defer principal and interest and forego foreclosure, the Secretary may permit, at the request of the borrowers, the deferral of principal and interest on any outstanding loan made, insured, or held by the Secretary under this title, or under the provisions of any other law administered by the Farmers Home Administration, and may forego foreclosure of any such loan, for such period as the Secretary deems necessary upon a showing by the borrower that due to circumstances beyond the borrower's control, the borrower is temporarily unable to continue making payments of such principal and interest when due without unduly impairing the standard of living of the borrower: Provided further, That funds appropriated to the Farmers Home Administration shall be used to establish and maintain a Farmers Home Administration State office in Nevada. The Secretary may permit interest that accrues during the deferral period on any loan deferred under this section to bear no interest during or after such period: Provided, That, if the security instrument securing such loan is foreclosed, such interest as is included in the purchase price at such foreclosure shall become part of the principal and draw interest from the date of foreclosure at the rate prescribed by law].

4 [OFFICE OF THE ADMINISTRATOR]

[For necessary salaries and expenses of the Office of the Administrator of the Farmers Home Administration, $600,000: Provided, That no other funds in this Act shall be available for this Office.]

<u>The first change</u> deletes language to fund the Alcohol Fuels Credit Guarantee Program Account since no program funds are requested.

<u>The second change</u> adds language to permit the Agency to subscribe to various newspapers and periodicals to keep abreast of financial, farm, housing and community issues in order to carry out its mission. An old statue dated September 21, 1944, Ch. 412, Title VII §704, 58 Stat 742 prohibits the agency from purchasing such periodicals unless specific language is contained in the appropriation language.

<u>The third change</u> deletes language deferring principal and interest in certain cases and under certain foreclosure practices which is already incorporated into Agency regulations.

<u>The fourth change</u> eliminates the separate appropriation language for the Office of the Administrator account. To provide for a more efficient operation, it is proposed that the Administrator's costs be funded from the Farmers Home Administration Salaries and Expenses Appropriation.

FARMERS HOME ADMINISTRATION
Salaries and Expenses

	Appropriation	Program Resources	Total
Appropriation Act. 1993			
Salaries & Expenses................	$23,802,000	$656,118,000	$679,920,000
Office of the Administrator..........	600,000	--	600,000
Total Appropriation, 1993............	24,402,000	656,118,000	680,520,000
Adjustments in 1993..................			
Emergency Supplemental...............	3,200,000	--	3,200,000
Activities Transferred to:			
RDA Alcohol Fuels Credit			
Guarantee Fund PA................		-100,000	-100,000 a/
Secretary of Agriculture...........		-212,000	-212,000 b/
Adjusted Base for 1993.............	$27,602,000	$655,806,000	$683,408,000
Budget Estimate, 1994................	-0-	-0-	-0-
Increase/Decrease Over Adjusted 1993.	$27,602,000	$-655,806,000	$-683,408,000

a/ Pursuant to a decision memorandum approved by the Under Secretary dated October 19, 1992, delegating authority along with administrative funds to administer Alcohol Fuels Credit Guarantee Funds to Rural Development Administration. Actual transfer of funds of $100,000 were made in FY 1993. On a comparable basis, the 1994 cost is also $100,000.

b/ Pursuant to the authority provided by the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1993 (P.L. 102-341) the Secretary of Agriculture may transfer Salaries and Expenses funds from FmHA to the Office of the Secretary. Actual transfer of funds of $212,000 were made in FY 1993. On a comparable basis, the 1994 cost is $212,000.

Note: FmHA Salaries and Expenses account is reflected as part of the FSA Salaries and Expenses account elsewhere in the notes.

EXPLANATION OF PROGRAMS

This account is used to finance the operating expenses incurred in the administration of the programs of the Farmers Home Administration (FmHA). In FY 1992 the Agency operated under the new Federal Credit Reform criteria. The funds available consists of direct appropriations; transfers from Rural Housing Insurance Fund Program Account (RHIF), Agricultural Credit Insurance Fund Program Account (ACIF), Rural Development Insurance Fund Program Account (RDIF). Self-Help Housing Land Development Fund Program Account (SHHLDF), and Rural Development Loans Program Account (RDLP); allocations from the Soil Conservation Service; and miscellaneous reimbursements from other sources.

The principal activities of the Agency include the making and servicing of farm, housing, and rural development loans and grants.

FARMERS HOME ADMINISTRATION

Salaries and Expenses

PROJECT STATEMENT
(on basis of adjusted appropriation)
(Dollars in Thousands)

Project	1992 Actual Amount	1992 Actual Staff Years	1993 Estimated Amount	1993 Estimated Staff Years	Increase or Decrease	1994 Estimated Amount	1994 Estimated Staff Years
Salaries and Expenses							
Direct Appropriation 1/	$25,867	473	$24,402	450			
1992 Dire Emergency supplemental	3,200	--	--	--			
Unobligated balance available, SOY	--	--	3,200	--			
Transferred from Other Accounts:							
Agricultural Credit Insurance Fund Program Account	230,179	4,180	215,712	3,982			
Rural Development Loan Fund Program Account	689	13	--	--			
Rural Housing Insurance Fund Program Account	427,111	7,756	404,746	7,471			
Rural Development Insurance Fund Program Account	52,286	241	35,539	532			
Self Help Housing Land Development Fund	21	--	21	--			
Alcohol Fuels Credit Guarantee Fund Program Account	--	--	100	--			
Subtotal, Transferred from Other Accounts	710,286	12,190	656,118	11,985			
Total Salaries and Expenses 2/	739,353	12,663	683,720	12,435			
Transfer to RDA	-39,000	--	-100	--			
Transfer from Dept. for SLUC	263	--					
Transfer to Secretary of Agriculture	-98	--	-212	--			
Unobligated balance lapsing	-63,145	--	--	--			
Unobligated balance available, EOY	-3,200	--	--	--			
Salaries and Expenses Obligations	634,173	12,663	683,408	12,435			
Loan Program Expenses 3/	(62,845)	--	(36,732)	--			
Total Administrative Expenses	(697,018)	12,663	(720,140)	12,435			
Transfer from other Accounts	-610,503	--	-655,806	--			
Total Adjusted Appropriations	23,670	--	27,602	--			

1 Includes Office of the Administrator.
2 Excludes $934,000 misc. reimbursement and allocation from SCS and 11 staff years in FY 1992 and $1,000,000 and 11 staff years in FY 1993
3 Estimated non-recoverable loan costs administrative expenses paid out of liquidating accounts in FY 1992 and program accounts in FY 1993 and Federal Credit Reform.

Positions Filled, Staff-Years and Average
Grade and Salary by Organizational Unit

Organizational Unit	Positions Filled at End of Year: Permanent Full-Time	Other	Staff-Years	Permanent Full-time: Average Grade	Average Salary
FISCAL YEAR 1992: (actual)					
National Office	582	44	669	10.69	$38,425
Finance Office and Field Support	880	65	879	8.46	30,410
State Offices	1,823	105	1,911	9.95	35,770
District Offices	1,369	81	1,483	8.35	30,015
County Offices	6,548	2,755	7,821	7.35	26,420
Total, FmHA	11,202	3,050 1/	12,763	8.31	29,872
FISCAL YEAR 1993: (current)					
National Office	582	50	668	10.69	39,850
Finance Office and Field Support	808	50	882	8.46	31,535
State Offices	1,892	100	1,877	9.95	37,090
District Offices	1,421	90	1,455	8.35	31,125
County Offices	6,872	2,310	7,678	7.36	27,435
Total, FmHA	11,575	2,600	12,560	8.32	31,015

1/ In FY 1992 includes 340 non-ceiling employees such as Stay-in-School.

Obligations by Organizational Unit 1/
(in thousands rounded)

Organizational Unit	Obligations: Personnel Comp. and Benefits	Travel	All Other	Total
FISCAL YEAR 1992: (actual)				
National Office	$36,961	$1,680	$6,801	$45,442
Finance Office and Field Support	32,787	1,014	12,086	45,887
State Offices	78,292	8,077	21,848	108,217
District Offices	59,956	4,487	16,984	81,427
County Offices	256,002	9,872	88,259	354,133
Total, FmHA	463,998	25,130	145,978	635,106
Less Allocations from other accounts	446,584	24,182	140,670	611,436
Total, S&E, FmHA	17,414	948	5,308	23,670
FISCAL YEAR 1993: (estimate)				
National Office	39,070	1,750	7,980	48,800
Finance Office and Field Support	35,750	1,090	14,630	51,470
State Offices	82,150	8,370	25,440	115,960
District Offices	62,710	4,630	19,710	87,050
County Offices	268,262	10,227	102,639	381,128
Total, FmHA	487,942	26,067	170,399	684,408
Less Allocations from other accounts	469,628	25,104	162,074	656,806
Total, S&E, FmHA	18,314	963	8,325	27,602

1/ Includes reimbursable obligations.

FARMERS HOME ADMINISTRATION
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 Actual and Estimated 1993 and 1994
Salaries and Expenses

	1992 Staff Years	1992 Actual	1993 Staff Years	1993 Estimate	1994 Estimate
ALABAMA............	280	13,657,836	274	14,646,213	
ALASKA.............	27	1,317,006	26	1,389,787	
ARIZONA............	115	5,609,469	113	6,040,226	
ARKANSAS...........	365	17,803,965	358	19,136,292	
CALIFORNIA.........	266	12,974,945	261	13,951,319	
COLORADO...........	126	6,146,026	124	6,628,213	
CONNECTICUT........	23	1,121,894	22	1,175,973	
DELAWARE...........	52	2,536,455	51	2,726,120	
FLORIDA............	212	10,340,933	208	11,118,293	
GEORGIA............	318	15,511,400	312	16,677,439	
HAWAII.............	48	2,341,343	47	2,512,307	
IDAHO..............	174	8,487,370	170	9,087,066	
ILLINOIS...........	323	15,755,290	317	16,944,706	
INDIANA............	255	12,438,387	250	13,363,333	
IOWA...............	405	19,755,085	397	21,220,972	
KANSAS.............	211	10,292,155	207	11,064,839	
KENTUCKY...........	338	16,486,960	331	17,693,053	
LOUISIANA..........	320	15,608,956	314	16,784,346	
MAINE..............	174	8,487,370	170	9,087,066	
MARYLAND...........	64	3,121,791	63	3,367,560	
MASSACHUSETTS......	72	3,512,015	71	3,795,186	
MICHIGAN...........	287	13,999,282	280	14,966,933	
MINNESOTA..........	313	15,267,510	306	16,356,719	
MISSISSIPPI........	542	26,437,669	532	28,437,172	
MISSOURI...........	376	18,340,523	367	19,617,372	
MONTANA............	135	6,585,028	132	7,055,840	
NEBRASKA...........	223	10,877,491	218	11,652,826	
NEVADA.............	31	1,512,118	30	1,603,600	
NEW HAMPSHIRE......	45	2,195,009	44	2,351,947	
NEW JERSEY.........	106	5,170,467	102	5,452,240	
NEW MEXICO.........	111	5,414,357	109	5,826,413	
NEW YORK...........	284	13,852,948	277	14,806,573	
NORTH CAROLINA.....	456	22,242,762	447	23,893,639	
NORTH DAKOTA.......	238	11,609,161	233	12,454,626	
OHIO...............	246	11,999,385	242	12,935,706	
OKLAHOMA...........	299	14,584,618	294	15,715,279	
OREGON.............	138	6,731,362	135	7,216,200	
PENNSYLVANIA.......	257	12,535,943	252	13,470,239	
RHODE ISLAND.......	22	1,073,116	21	1,122,520	
SOUTH CAROLINA.....	289	14,096,838	284	15,180,746	
SOUTH DAKOTA.......	245	11,950,607	241	12,882,253	
TENNESSEE..........	356	17,364,963	348	18,601,759	
TEXAS..............	566	27,608,341	557	29,773,505	
UTAH...............	107	5,219,245	105	5,612,600	
VERMONT............	86	4,194,907	84	4,490,080	
VIRGINIA...........	284	13,852,948	280	14,966,933	
WASHINGTON.........	146	7,121,586	143	7,643,826	
WEST VIRGINIA......	157	7,658,144	154	8,231,813	
WISCONSIN..........	306	14,926,064	300	16,035,999	
WYOMING............	86	4,194,907	84	4,490,080	
PUERTO RICO........	207	10,097,043	205	10,957,933	
TRUST TERRITORIES..	26	1,268,228	26	1,389,787	
VIRGIN ISLANDS.....	10	487,780	10	534,533	
SUBTOTAL...........	11,148	543,777,000	10,928	584,138,000	
NATIONAL OFFICE....	668	45,442,000	661	48,800,000	
FIN.OFF.& FLD SPPRT	858	45,887,000	857	51,470,000	
TOTAL AVAIL. EST.	12,674	635,106,000	12,446	684,408,000	

FARMERS HOME ADMINISTRATION

PASSENGER MOTOR VEHICLES

The 1994 Budget Estimates propose the replacement of one passenger motor vehicle.

The passenger motor vehicles of the Farmers Home Administration are used primarily by the County Supervisors in the Pacific Islands for the performance of their daily work. None of the vehicles are used in the contiguous United States or Washington, D.C. The vehicles are used in areas where privately-owned vehicles and common carrier facilities are either non-existent, uneconomical, or inadequate due to the nature of the travel which requires a high degree of mobility with frequent stops at rural housing sites and farm properties. FmHA personnel are required to inspect and appraise homes and farms on which loan applications are pending. They also must visit various properties frequently to perform loan servicing activities.

Passenger motor vehicles are not assigned to one individual exclusively and are at locations where more than one employee has a need for them. This allows several employees to use a single vehicle and minimizes the number of vehicles and maintenance costs.

Replacement of passenger motor vehicles. Replacement of one passenger motor vehicle now in operation is proposed. This vehicle is located in the Western Pacific and must be replaced because of excessive rust and corrosion. The high salt spray content and high humidity of the air in this region are very conducive to corrosion and shorten the serviceability period of motor vehicles. In addition, roads are frequently unpaved and the rough terrain contributes to excessive wear. Repair and maintenance of vehicles is generally not available in some of these remote areas. The small size of these islands also precludes high mileage being accumulated on vehicles before requiring replacement. When possible, sedans and other passenger motor vehicles are replaced by all-terrain vehicles.

Age and mileage data for Farmers Home Administration passenger motor vehicles on hand as of September 30, 1992, are as follows:

	Age Data			Mileage Data	
Age-Year Model	Number of Vehicles	Percent of Total	Lifetime Mileage (thousands)	Number of Vehicles	Percent of Total
1985	1	33	30-40	1	33
1986	1	33	20-30	1	33
1991	1	34	10-20	1	34
Totals	3	100		3	100

UNITED STATES DEPARTMENT OF AGRICULTURE
Soil Conservation Service

Personnel Summary
FY 1992 Actual

	Agency 1/	Full-Time	Other 2/	Overtime & Holidays Worked	Total Staff Years
Conservation Operations	SCS	9,220	929	23	10,172
River Basin Surveys and Investigations.......	SCS	185	10	--	195
	FS	7	2	--	9
	Subtotal	192	12	--	204
Watershed Planning.....	SCS	151	6	--	157
	FS	2	--	--	2
	Subtotal	153	6	--	159
Watershed and Flood Prevention Operations	SCS	1,333	84	28	1,445
	FmHA	7	--	--	7
	FS	31	6	1	38
	Subtotal	1,371	90	29	1,490
Great Plains Conservation Program.........	SCS	168	8	--	176
Resource Conservation and Development......	SCS	435	63	1	499
	FmHA	2	--	--	2
	FS	2	--	--	2
	Subtotal	439	63	1	503
Total Direct Program...	SCS	11,492	1,100	52	12,644
	FmHA	9	--	--	9
	FS	42	8	1	51
	Subtotal	11,543	1,108	53	12,704
Reimbursable Programs..	SCS	1,018	113	--	1,131
Miscellaneous Contributed Funds..........	SCS	6	3	--	9
Allocation from DOI (Abandoned Mine)......	SCS	80	5	--	85
Total Program..........	SCS	12,596	1,221	52	13,869
	FmHA	9	--	--	9
	FS	42	8	1	51
	Total	12,647	1,229	53	13,929

1 SCS: Soil Conservation Service
FS: Forest Service
FmHA: Farmers Home Administration

2 Includes non-ceiling staff-years for the stay-in-school program.

UNITED STATES DEPARTMENT OF AGRICULTURE
SOIL CONSERVATION SERVICE

Personnel Summary by Organization Level
FY 1992

	Average GS & GM Salary 1/	Average GS & GM Grade 1/	Average Salary - Ungraded 1/	Total Staff-Years 2/
Washington Headquarters........	$49,334	11.70	N/A	510
Technical Service Centers......	$45,346	11.12	$29,952	507
Other National Units...........	N/A	N/A	N/A	154
State Offices..................	$34,787	9.48	$26,062	1,498
State Technical Specialists....	N/A	N/A	N/A	845
Plant Materials Centers........	N/A	N/A	N/A	149
Miscellaneous State Units......	N/A	N/A	N/A	594
Area Office Staffs.............	N/A	N/A	N/A	1,599
Miscellaneous Area Units.......	N/A	N/A	N/A	1,188
Field Office Staffs............	N/A	N/A	N/A	6,825
Subtotal, SCS Direct, Reimbursable and Miscellaneous Contributed Funds............	$35,783	9.63	$26,499	13,869
Allocations to Other Agencies:				
Farmers Home Administration..			--	9
Forest Service...............			--	51
Subtotal, Allocations........			--	60
Total..........................	N/A	N/A	N/A	13,929

1/ This is not figured below the State Office level.
2/ Includes 345 overtime/holiday and other nonceiling staff years.

SOIL CONSERVATION SERVICE
(SCS Only)
Salaries and Expenses
FY 1992 Actual
(Dollars in Thousands)

	Total Obligations	Conservation Operations	River Basin Surveys and Investi-gations	Watershed Planning	Watershed and Flood Prevention Operations	Great Plains Conservation Program	Resource Conservation and Development
Management and Program Direction:							
Washington Headquarters	$57,921	$43,320	$1,022	$510	$10,283	$658	$2,128
State Offices	83,673	62,245	2,086	1,660	13,056	934	3,692
Technical Service Centers	5,328	4,450	110	37	662	50	19
SUBTOTAL	146,922	110,015	3,218	2,207	24,001	1,642	5,839
%	20.67	19.51	26.01	23.93	27.99	18.11	19.16
Technical Support:							
State Technical Specialists	48,621	37,676	2,072	1,489	6,510	260	614
Technical Service Centers	11,354	8,781	227	893	1,048	92	313
Other National Units	401	355	10	--	6	--	30
SUBTOTAL	60,376	46,812	2,309	2,382	7,564	352	957
%	8.49	8.30	18.67	25.83	8.82	3.88	3.14
Program Operations:							
Technical Service Centers	20,574	15,463	437	267	3,938	68	401
Plant Materials Centers	7,677	7,586	--	--	58	33	--
Other National Units	11,752	10,012	--	--	1,740	--	--
Miscellaneous State Units	32,762	10,015	4,657	3,820	12,353	53	1,864
Area Office Staffs	81,587	68,961	455	134	9,027	1,115	1,895
Miscellaneous Area Units	56,271	27,854	246	22	11,909	42	16,198
Field Office Staffs	292,951	267,272	1,048	390	15,159	5,762	3,320
SUBTOTAL	503,574	407,163	6,843	4,633	54,184	7,073	23,678
%	70.84	72.19	55.32	50.24	63.19	78.01	77.70
TOTAL	$710,872	$563,990	$12,370	$9,222	$85,749	$9,067	$30,474
%	100.00	100.00	100.00	100.00	100.00	100.00	100.00

	Total Obligations	Conservation Operations	River Basin Surveys and Investi-gations	Watershed Planning	Watershed and Flood Prevention Operations	Great Plains Conservation Program	Resource Conservation and Development
Organizational Summary:							
Washington Headquarters........	$57,921	$43,320	$1,022	$510	$10,283	$658	$2,128
State Offices..................	83,673	62,245	2,086	1,660	13,056	934	3,692
State Technical Specialists....	48,621	37,676	2,072	1,489	6,510	260	614
Technical Service Centers......	37,256	28,694	774	1,197	5,648	210	733
Plant Materials Centers........	7,677	7,586	--	--	58	33	--
Other National Units...........	12,153	10,367	10	--	1,746	--	30
Miscellaneous State Units......	32,762	10,015	4,657	3,820	12,353	53	1,864
Area Office Staffs.............	81,587	68,961	455	134	9,027	1,115	1,895
Miscellaneous Area Units.......	56,271	27,854	246	22	11,909	42	16,198
Field Office Staffs............	292,951	267,272	1,048	390	15,159	5,762	3,320
TOTAL SCS....................	710,872	563,990	12,370	9,222	85,749	9,067	30,474
Cost-Share/Construction.......	134,156	--	--	--	114,393	17,529	2,234
TOTAL SCS OBLIGATIONS NET...	845,028	563,990	12,370	9,222	200,142	26,596	32,708
FmHA.........................	313	--	--	--	253	--	60
FS...........................	4,232	--	781	297	2,304	--	850
Subtotal..................	4,545	--	781	297	2,557	--	910
TOTAL OBLIGATIONS, NET OF REIMBURSEMENTS...............	$849,573	$563,990	$13,151	$9,519	$202,699	$26,596	$33,618

Passenger Motor Vehicles

Passenger motor vehicles of the Soil Conservation Service are distributed among 50 State Offices, Puerto Rico and Guam, 230 area offices, and various technical specialists located at field headquarters. None of these vehicles are used in Washington, D.C. Vehicles are used in rural and other areas where common carrier facilities are either non-existent, uneconomical, or inadequate. The nature of the travel requires a high degree of mobility with frequent stops at field offices, job sites, and other place not serviced by common carrier. Resident technicians servicing farmers and ranchers in conservation districts use pickup trucks rather than passenger vehicles.

Passenger motor vehicles are generally assigned to an office location and not exclusively to one individual. This allows several employees to rely on the use of a single vehicle, thus maximizing utilization, and minimizing the number of vehicles needed.

On September 30, 1992, the Soil Conservation Service had 2,165 passenger vehicles in a total fleet of 10,687 vehicles. The fleet includes pickup trucks, light trucks, jeeps, and heavy trucks.

Replacement of Passenger Motor Vehicles. The fiscal year 1994 estimates provide for the replacement of 400 passenger motor vehicles during the fiscal year. The vehicles proposed for replacement have been driven more than 60,000 miles or are more than 6 years of age or would be beyond economic repair due to accident or other causes.

SCS is continuing a sound and effective replacement program. During fiscal year 1992, 234 replacements were received. Economy of operations and expected use factors are taken into consideration as well as prescribed age and mileage standards in planning replacements.

Age and mileage data for Soil Conservation Service passenger motor vehicles on hand September 30, 1992, are as follows:

AGE DATA			MILEAGE DATA		
Model	Number of Vehicles	Percent of Total	Lifetime Mileage (Thousands)	Number of Vehicles	Percent of Total
1987 and older	921	42.5	80 to over 100	294	13.6
1988	299	13.8	60-80	474	21.9
1989	251	11.6	40-60	535	24.7
1990	240	11.1	20-40	407	18.8
1991	266	12.3	Under 20	455	21.0
1992	188	8.7	TOTAL	2,165	100.0
TOTAL	2,165	100.0			

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Agricultural Conservation Program (Including Transfers of Funds)

For necessary expenses to carry into effect the program authorized in
sections 7 to 15, 16(a), 16(f), and 17 of the Soil Conservation and
Domestic Allotment Act approved February 29, 1936, as amended and
supplemented (16 U.S.C. 590g-590o, 590p(a), 590p(f), and 590q), and
sections 1001-1004, 1006-1008, and 1010 of the Agricultural Act of
1970, as added by the Agriculture and Consumer Protection Act of 1973
(16 U.S.C. 1501-1504, 1506-1508, and 1510), and including not to exceed
$15,000 for the preparation and display of exhibits, including such
displays at State, interstate, and international fairs within the
1 United States, [$194,435,000] $150,400,000, to remain available until
expended (16 U.S.C. 590o), for agreements, excluding administration
2 [but including technical assistance and related expenses (16 U.S.C.
590o)], except that no participant in the Agricultural Conservation
Program shall receive more than $3,500 per year, except where the
participants from two or more farms or ranches join to carry out
approved practices designed to conserve or improve the agricultural
resources of the community, or where a participant has a long-term
agreement, in which case the total payment shall not exceed the annual
payment limitation multiplied by the number of years of the agreement:
Provided, That no portion of the funds for the current year's program
may be utilized to provide financial or technical assistance for
drainage on wetlands now designated as Wetlands Types 3 (III) through
20 (XX) in United States Department of the Interior, Fish and Wildlife
Circular 39, Wetlands of the United States, 1956: Provided further,
That such amounts shall be available for the purchase of seeds,
fertilizers, lime, trees, or any other conservation materials, or any
soil-terracing services, and making grants thereof to agricultural
producers to aid them in carrying out approved farming practices as
authorized by the Soil Conservation and Domestic Allotment Act, as
amended, as determined and recommended by the county committees,
approved by the State committees and the Secretary, under programs
3 provided for herein: [Provided further, That such assistance will not
be used for carrying out measures and practices that are primarily
production-oriented or that have little or no conservation or pollution
4 abatement benefits: Provided further, That not to exceed 5 per centum
of the allocation for the current year's program for any county may, on
the recommendation of such county committee and approval of the State
committee, be withheld and allotted to the Soil Conservation Service
for services of its technicians in formulating and carrying out the
Agricultural Conservation Program in the participating counties, and
shall not be utilized by the Soil Conservation Service for any purpose
other than technical and other assistance in such counties, and in
addition, on the recommendation of such county committee and approval
of the State committee, not to exceed 1 per centum may be made
available to any other Federal, State, or local public agency for the
same purpose and under the same conditions: Provided further, That for
the current year's program $2,500,000 shall be available for technical
assistance in formulating and carrying out rural environmental
practices:] Provided further, That no part of any funds available to
the Department, or any bureau, office, corporation, or other agency
constituting a part of such Department, shall be used in the current
fiscal year for the payment of salary or travel expenses of any person
who has been convicted of violating the Act entitled "An Act to prevent
pernicious political activities" approved August 2, 1939, as amended,
or who has been found in accordance with the provisions of title 18

U.S.C. 1913 to have violated or attempted to violate such section which prohibits the use of Federal appropriations for the payment of personal services or other expenses designed to influence in any manner a Member of Congress to favor or oppose any legislation or appropriation by Congress except upon request of any Member or through the proper official channels: [Provided further, That not to exceed $15,000,000 of the amount appropriated shall be used for water quality payments and practices in the same manner as permitted under the program for water quality authorized in chapter 2 of subtitle D of title XII of the Food Security Act of 1985 (16 U.S.C. 3838 et seq.)].

The first change deletes the amount approved for fiscal year 1993 and inserts the amount requested for fiscal year 1994.

The second and fourth changes in language delete authority for expenditures for technical assistance using funds appropriated to the ACP. Beginning in fiscal year 1994, it is proposed that technical assistance formerly included in this account be funded by the Salaries and Expenses account of the proposed Farm Service Agency.

The third and fifth changes delete restrictive appropriations language.

AGRICULTURAL CONSERVATION PROGRAM

Appropriations Act, 1993	$194,435,000
Budget Estimate, 1994	150,400,000
Decrease in Appropriation	-44,035,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1993 Estimated	Other Changes	1994 Estimated
Cost-sharing to farmers	$182,769,250	-$32,369,250	$150,400,000
Technical assistance	11,665,750	-11,665,750	--
Total Available	194,435,000	-44,035,000	150,440,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1992 Actual	1993 Estimated	Increase or Decrease	1994 Estimated
Cost-sharing to farmers	$183,678,634	$182,769,250	-$32,369,250(1)	$150,400,000
Technical assistance ...	10,756,366	11,665,750	-11,665,750(2)	--
Total, Appropriation	194,435,000	194,435,000	-44,035,000	150,400,000

PROJECT STATEMENT
(On basis of available funds)

Project	1992 Actual	1993 Estimated	Increase or Decrease	1994 Estimated
Cost-sharing to farmers	$179,143,550	$223,015,704	-$72,615,704	$150,400,000
Technical assistance	10,756,366	11,665,750	-11,665,750	--
Total available	189,899,916	234,681,454	-84,281,454	150,400,000
Unobligated balance brought forward from prior years ..	-35,711,370	-40,246,454	+40,246,454	--
Unobligated balance carried forward to next year	40,246,454	--	--	--
Total, Appropriation .	194,435,000	194,435,000	-44,035,000	150,400,000

EXPLANATION OF PROGRAM

The Agricultural Conservation Program (ACP) is authorized in sections 7 to 15, 16(a), 16(f), and 17 of the Soil Conservation and Domestic Allotment Act of 1936, as amended and supplemented (16 U.S.C. 590g-590o, 590p(a), 590(f), and 590q), and sections 1001-1004, 1006-1008, and 1010 of the Agricultural Act of 1970, as added by the Agriculture and Consumer Protection Act of 1973 (16 U.S.C. 1501-1504, 1506-1508, and 1510).

The purpose of the Agricultural Conservation Program is to provide financial assistance to agricultural producers to help solve a wide range of agricultural conservation and environmental problems that, if not addressed, would reduce the productive capacity of the nation's land and water resources or cause degradation of environmental quality. Program activities include prevention of soil loss, conservation of scarce water supplies, improvement of water quality, conservation of forest and wildlife resources, and pollution abatement. Technical assistance is provided by the Soil Conservation Service (SCS) and Forest Service (FS).

In contrast to the Conservation Reserve Program, which removes highly erodible and other environmentally sensitive cropland from production, the ACP makes available a wide variety of practices to address the soil and water conservation needs and other environmental concerns of land that remains in production, including water quality concerns. In addition, assistance is offered to establish or improve permanent vegetative cover, including tree planting, and to install animal waste handling systems.

The ACP is administered by ASCS through the farmer-elected county committee system. The program is a joint effort by Government and landowners to restore and protect basic land and water resources. Objectives include helping to ensure a continuous, adequate supply of food and fiber; improving water quality in America; facilitating resource management systems; and achieving national priorities reflected in the National Environmental Policy Act of 1969, the 1988 National Program for Soil and Water Conservation, and related Resources Conservation Act appraisal updates.

1993 Program

1. Program Direction. The 1993 ACP will be directed toward specific enduring practices to solve the most critical conservation problems and to meet water quality goals. Treatment of farmland, rangeland, and pastureland eroding at greater than the soil loss tolerance (T) will be of primary concern.

   -- Annual Agreements. $152.5 million will be earmarked for cost-sharing of annual agreements and will be allocated to the States for this purpose.

   -- Long-Term Agreements. $20 million will be allocated to the States specifically for this purpose. States also have the option of using annual agreement funds for long-term agreements.

   -- Variable Cost-Share Level Project (VC/SL). Under this program, cost-share levels are established for erosion control practices on the basis of the severity of the erosion problem and the amount of soil saved. In fiscal year 1992 a total of 402 counties participated in this voluntary project based on the $2 million allocated. Results indicate that there are improvements in the cost effectiveness of practices applied under the program. Although separate allocations for VC/SL were not made in fiscal year 1993, counties may continue to use the VC/SL method of computing cost-share levels.

   -- Water Quality Projects. A total of $5.0 million will be available to fund priority water quality activities. $900 thousand will be provided for 1991 USDA demonstration projects, $3 million for 1991 USDA nonpoint source hydrologic units, and $1.1 million for cost-sharing for ACP practices in the Lake Champlain Water Quality Special Projects in New York and Vermont that will produce water quality benefits.

-- Water Quality Incentive Projects. $15 million will be available for funding incentive practices in specific water quality project areas to meet water quality standards or goals in the manner permitted under Section 1439 of the 1990 FACT Act. Water quality incentive projects will be selected from proposals submitted by the States. Priority will be given to applications from areas which have been designated by EPA and State water quality agencies as areas where nonpoint source pollution contributes to the degradation of or threatens the quality of surface or ground water.

-- Method of Allocation. Distribution to the States for annual agreements in fiscal year 1993 was made according to their conservation needs as determined by the Secretary, except for an adjustment, up to five percent, based on the rate of funds usage.

-- Technical Assistance. $1.944 million is available to the Forest Service for technical assistance relating to forestry practices.

2. Program Development. State and county programs are developed through a process whereby county committees submit recommendations through the State committee to the Secretary. Practices available to a county committee include all those previously approved by the Secretary plus any other practice that a county committee considers necessary to solve a local conservation problem and that is approved by the State committee and the Secretary or his designee.

3. Practices. The 1993 ACP will encourage cost effective practices such as vegetative cover, terraces, and sod waterways, which result in significant conservation of soil and water, improved water quality, or other improvements in the environment.

   Practices that are not enduring or do not provide enduring benefits will not be a part of the program. Other practices excluded from the national program include practices that are primarily production oriented.

JUSTIFICATION OF DECREASES

(1) A decrease of $32,369,250 for cost-sharing to agricultural producers ($182,769,250 available in fiscal year 1993).

Need for Change. The fiscal year 1994 ACP will emphasize soil conservation on farmland, rangeland, and pastureland. The requested funding level of $150.4 million will address only priority traditional soil and water conservation measures.

At the requested level of $150.4 million, conservation practices on a total of 7.06 million acres would prevent approximately 24.0 million tons of soil erosion and save 481,200 acre-feet of water. In addition, other conservation needs such as water quality incentive projects, forest and rangeland improvement, and wildlife habitat preservation will be addressed.

Nature of Change. The ACP currently provides funding for financial assistance to agricultural producers to help solve a wide range of agricultural conservation and environmental problems. In addition, program funds are used to reimburse certain USDA agencies for technical assistance. Beginning in fiscal year 1994, however, technical assistance is proposed to be funded within the administrative expenses budget of the proposed Farm Service Agency. Only direct financial assistance to producers would remain in this account.

The requested level of $150.4 million would fund the following:

-- Annual Agreements. Approximately $117.4 million will be allocated to States for annual practices with lasting conservation benefits, a decrease of $35 million from the 1993 level.

-- Long-Term Agreements. $14 million will be available for allocations for long-term cost-share agreements, a decrease of $6 million.

-- Water Quality Incentive Projects. $19 million, an increase of $4 million, is proposed for incentive projects to continue the program begun in 1992 that is comparable to the water quality program authorized under Section 1439 of the Food, Agriculture, Conservation, and Trade Act of 1990. Farmers will receive incentive payments over a 3- to 5-year period for implementing a water quality protection plan approved by the Secretary.

(2) A decrease of $11,665,750 for technical assistance which is being proposed for funding under the Farm Service Agency in fiscal year 1994.

The following tables show (a) outlays for fiscal year 1992 and (b) geographic breakdown of obligations for fiscal years 1992-1994.

Agricultural Conservation Program
Fiscal Year 1992 Outlays by State

State	Outlays
Alabama	5,448,475
Alaska	175,050
Arizona	1,385,828
Arkansas	5,513,491
California	4,950,901
Colorado	3,962,421
Connecticut	628,063
Delaware	410,228
Florida	3,863,571
Georgia	5,660,895
Hawaii	397,166
Idaho	3,218,909
Illinois	6,337,435
Indiana	3,402,913
Iowa	5,951,360
Kansas	3,691,044
Kentucky	4,436,062
Louisiana	3,648,582
Maine	2,602,667
Maryland	1,302,145
Massachusetts	724,942
Michigan	4,943,407
Minnesota	5,358,857
Mississippi	4,890,222
Missouri	7,501,296
Montana	3,909,587
Nebraska	4,629,538
Nevada	654,713
New Hampshire	847,377
New Jersey	525,559
New Mexico	2,292,122
New York	4,549,212
North Carolina	4,610,947
North Dakota	3,029,374
Ohio	4,446,100
Oklahoma	3,085,082
Oregon	3,920,253
Pennsylvania	4,075,526
Puerto Rico	532,763
Rhode Island	100,408
South Carolina	2,495,960
South Dakota	2,503,270
Tennessee	4,310,638
Texas	14,263,820
Utah	1,967,718
Vermont	1,623,504
Virginia	3,507,416
Virgin Islands	17,510
Washington	4,217,952
West Virginia	2,053,805
Wisconsin	5,487,965
Wyoming	1,660,053
Undistributed	41,127
ASCS, Subtotal	175,765,229
SCS Technical Assistance	8 766 952
FS Technical Assistance	1 743 000
TOTAL	186 275 181

Agricultural Conservation Program
Geographic Breakdown of Obligations
Fiscal Year 1992 and Estimated Fiscal Years 1993 and 1994

State	1992 Actual	1993 Estimated	1994 Estimated
Alabama	4,934,029	7,094,052	4,438,530
Alaska	271,089	244,840	197,475
American Samoa	0	5,700	4,665
Arizona	1,455,549	4,513,126	1,603,904
Arkansas	4,861,761	4,946,136	3,907,523
California	4,531,015	7,400,048	4,191,297
Colorado	4,135,954	4,986,489	3,554,556
Connecticut	795,626	1,153,585	522,454
Delaware	483,072	956,836	365,407
Florida	3,773,393	4,462,714	3,157,273
Georgia	5,579,195	5,669,763	4,289,257
Guam	4,447	72,090	4,665
Hawaii	523,401	1,441,865	419,052
Idaho	3,153,926	7,379,333	3,603,536
Illinois	5,861,867	4,923,421	5,078,381
Indiana	3,565,858	4,035,440	2,829,184
Iowa	6,050,226	6,661,195	5,297,625
Kansas	5,074,661	7,257,241	4,354,564
Kentucky	5,016,156	4,584,133	3,471,367
Louisiana	3,563,634	4,435,895	2,985,454
Maine	2,441,920	2,527,628	1,971,643
Maryland	1,565,982	1,496,099	999,816
Massachusetts	837,411	753,053	395,728
Michigan	4,738,968	5,607,077	3,935,512
Minnesota	6,323,556	7,780,766	5,289,851
Mississippi	4,349,541	5,679,768	4,177,303
Missouri	7,043,094	8,724,220	6,173,825
Montana	3,993,258	5,119,950	3,724,042
Nebraska	5,110,827	5,534,783	3,797,901
Nevada	594,774	857,581	603,310
New Hampshire	872,550	1,407,704	796,898
New Jersey	687,551	797,524	421,384
New Mexico	1,966,936	3,000,596	1,837,142
New York	4,501,496	5,888,756	4,115,106
North Carolina	3,832,064	4,790,444	3,456,596
North Dakota	3,193,003	4,417,150	3,041,431
N Mariana Isl.	0	119,328	4,665
Ohio	3,959,107	5,166,400	3,510,240
Oklahoma	3,440,847	4,975,790	3,298,771
Oregon	4,216,839	5,333,862	3,556,111
Pennsylvania	4,339,571	5,094,455	3,758,251
Puerto Rico	580,825	645,632	380,179
Rhode Island	123,011	326,017	47,425
South Carolina	2,604,193	2,595,563	1,753,177
South Dakota	2,995,617	3,512,866	2,431,123
Tennessee	3,977,057	4,202,562	2,886,716
Texas	16,009,580	19,957,108	12,790,803
Utah	2,148,812	2,319,776	1,752,399
Vermont	2,396,602	2,050,155	1,479,510
Virginia	3,191,866	3,616,375	2,811,302
Virgin Islands	30,824	51,459	17,104
Washington	4,654,415	5,317,825	3,594,984
West Virginia	2,061,596	2,293,523	1,756,286
Wisconsin	5,066,978	6,776,581	4,170,306
Wyoming	1,616,893	1,780,675	1,386,992
Undistributed	41 127	272,751	0
ASCS Subtotal	179,143,550	223,015,704	150,400,000
FS Technical Assistance	1,944,000	1,944,000	0
SCS Technical Assistance	8 812 366	9,721 750	0
Total Available or Estimate	189 899 916	234 681 454	150 400 000

AGRICULTURAL CONSERVATION PROGRAM

STATUS OF PROGRAM

<u>Current Activities</u>: Cost sharing is authorized in agricultural counties in all 50 States, American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, and the Virgin Islands. In line with the National Program for Soil and Water Conservation, the fiscal year 1992 ACP emphasized:

-- <u>Soil Conservation</u> on farmland, rangeland, and pastureland eroding at an annual rate in excess of the soil loss tolerance (T) level. It is estimated that 4.3 billion tons of soil erode annually at a rate that exceeds "T".

-- <u>Water Quality</u> improvement and protection for both surface and ground water. Special emphasis is placed on eliminating or preventing pollution from agricultural nonpoint sources.

-- <u>Other Objectives</u> such as water conservation, forest and rangeland improvement, and wildlife habitat preservation. In meeting these objectives, some additional conservation categories are achieved.

Twenty-eight separately identified practices were authorized in the National program and 20 at the local level to assist in solving critical soil and water conservation problems.

About 120,192 farmers, ranchers, and woodland owners participated in the program in fiscal year 1992 by carrying out practices that help solve soil and water conservation problems identified in State and county ACP plans.

<u>Selected Examples of Recent Progress</u>:

-- <u>Annual Agreements</u>. During fiscal year 1992, $141,485,000 was allocated to States for annual practices with lasting conservation benefits.

-- <u>Long-term Agreements</u>. To involve more farmers in the multi-year planning approach to conservation problem solving, $20 million was allocated for 3- to 10-year agreements.

-- <u>Water Quality Incentive Projects</u>. Water Quality Incentive Projects (WQIP's) were initiated under ACP in FY 1992 using the program framework outlined in the 1990 FACT Act. These projects provide a targeted approach to assist landowners in enhancing water quality by obtaining a source reduction of agricultural pollutants. In FY 1992, the WQIP was offered in existing USDA Water Quality Demonstration Projects, Hydrological Unit Areas and 1991 Water Quality Special Projects. $6.75 million was allocated in FY 1992 to States for implementation of the related practices.

WQIP's provide incentive payments so producers can modify management systems to reduce agricultural nonpoint source pollution while maintaining the economic viability of the farm operation. Incentive payments are made to improve pesticide and nutrient management, reduce excess animal waste application, and improve irrigation water management and other management-oriented practices.

ASCS State and county offices administer the projects with assistance from Soil Conservation Service and Cooperative Extension Service. These agencies work closely with the Environmental Protection Agency, the U.S. Geological Survey and State water quality agencies to ensure that the WQIP's are implemented in the most efficient and effective manner to protect the nation's water resources.

-- Other Water Quality Projects. In fiscal year 1992, a total of $23 million was allocated from ACP for various water quality projects other than WQIP. $9.1 million was provided for ACP water quality special projects in 27 States, $12.1 million for nonpoint source hydrological unit area projects in 39 States, and $1.8 million for USDA national demonstration projects in 12 States. These allocations relate to projects initiated in 1990 and 1991. These separate water quality projects protect surface and ground water from agricultural and other nonpoint sources of contamination.

-- Variable Cost-Share Levels. This method of establishing cost-share levels was operated by counties on a voluntary basis to achieve greater land conservation at a reduced or equivalent cost, by relating cost-share levels to the amount of erosion reduction achieved. A variable cost-share level was used only for practices that would solve an erosion problem for which soil loss could be calculated. A special allocation of $2 million was made for several years to encourage new counties to adopt the use of variable cost-share levels. Four hundred and two ASC county committees volunteered to participate in the variable cost-share level effort in 1992; however, few of these counties were new. Use of variable cost-share levels will continue in future years but 1992 is the last year a special allocation will be made to participating counties.

The tables and graphs that follow show:

(a) the extent to which practices were performed in 1992 and the period 1936-1992,

(b) percent of cost-shares by primary purpose,

(c) ACP allocations for fiscal year 1992,

(d) ACP accomplishments for fiscal years 1991 and 1992,

(e) the number of participating farms and average payment per farm in program years 1982-1992, when a farm is defined as a place that sells or could sell $1,000 of agricultural products during the year.

(f) total ACP outlays during fiscal years 1982-1992.

Agricultural Conservation Program

Practices Performed in 1992 and Total Accomplishments 1936-1992

Practice	Unit	Extent under 1992 program	Total accomplishments 1936-1992
Water impoundment reservoirs constructed to reduce erosion, distribute grazing, conserve vegetative cover and wildlife, or provide fire protection and other agricultural uses	1,000 structures	16	2,674
Terraces constructed to reduce erosion, conserve water, or prevent or abate pollution	1,000 acres	682	43,545
Stripcropping systems established to reduce wind or water erosion or environmental enhancement	1,000 acres	105	116,691
Trees or shrubs planted for forestry purposes, erosion control or environmental enhancement	1,000 acres	271	9,991
Forest tree stands improved for forestry purposes or environmental enhancement...............	1,000 acres	47	5,409
Wildlife conservation......	1,000 acres	46	15,107 1/
Sediment pollution-abatement structures or runoff control measures	1,000 acres	399	23,340 2/
Conservation tillage including reduced tillage and no-till	1,000 acres	556	8,448 3/

1/ From 1962 with certain data estimated.
2/ From 1970.
3/ From 1973.

Agricultural Conservation Program

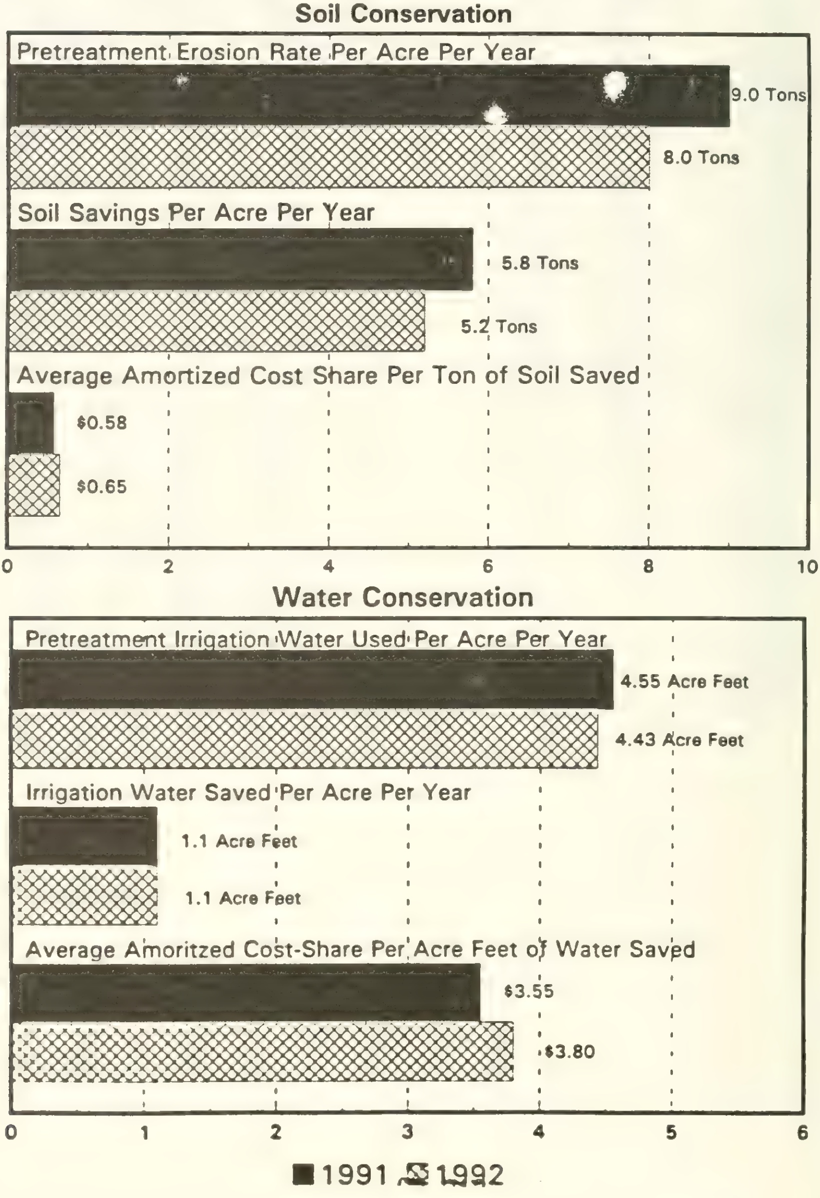
Percent of Cost-shares by Primary Purpose

Year	Erosion Control	Water Conservation	Water Quality	Other	Total
1984	74.7	13.2	4.8	7.3	100.0
1985	75.3	12.4	6.1	6.2	100.0
1986	73.8	11.9	7.3	7.0	100.0
1987	72.8	11.9	7.5	7.9	100.0
1988	71.1	14.7	7.2	7.0	100.0
1989	67.7	15.3	9.4	7.6	100.0
1990	64.7	14.2	13.0	8.1	100.0
1991	61.7	13.0	16.9	8.4	100.0
1992	58.9	12.6	20.3	8.2	100.0

Agricultural Conservation Program
FY 1992 Allocations by State

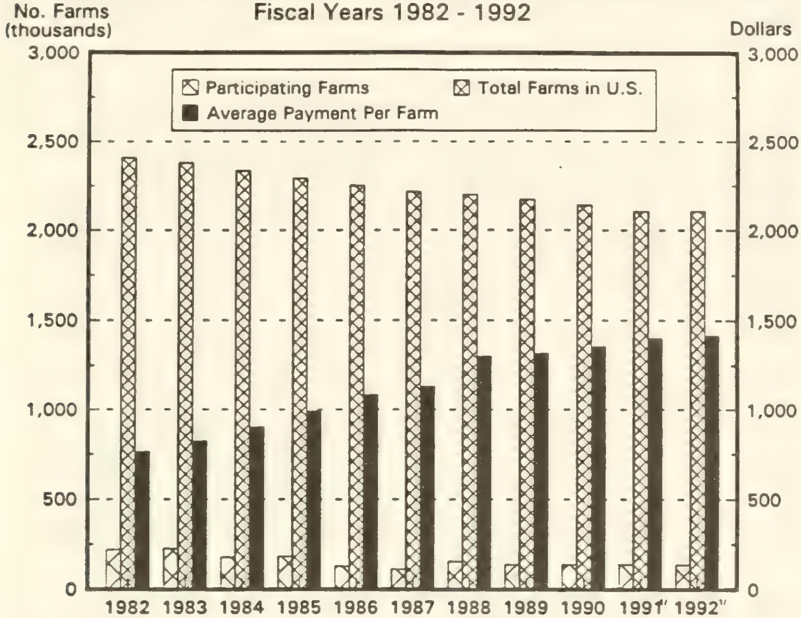
STATE	REGULAR ANNUALS	WATER QUALITY	NAVAL STORES	VARIABLE COST-SHARE LEVEL	TOTAL ANNUALS	LONG-TERM AGREEMENTS	WATER QUALITY INCENTIVE PRACTICES	FY 1992 ALLOCATIONS
ALABAMA	4,060,000	1,500,000		37,000	5,597,000	574,000	110,000	6,281,000
ALASKA	208,000	0		0	208,000	29,000	0	237,000
ARIZONA	1,540,000	200,000		0	1,740,000	218,000	150,000	2,108,000
ARKANSAS	3,588,000	565,000		132,000	4,285,000	507,000	220,000	5,012,000
CALIFORNIA	4,019,000	575,000		3,000	4,597,000	568,000	275,000	5,440,000
COLORADO	3,236,000	500,000		0	3,736,000	457,000	165,000	4,358,000
CONNECTICUT	289,000	750,000		0	1,039,000	41,000	110,000	1,190,000
DELAWARE	152,000	450,000		0	602,000	22,000	165,000	789,000
FLORIDA	3,052,000	0		40,000	3,092,000	431,000	220,000	3,743,000
GEORGIA	4,185,000	875,000	50,000	3,000	5,113,000	592,000	165,000	5,870,000
HAWAII	441,000	50,000		0	491,000	62,000	110,000	663,000
IDAHO	2,713,000	450,000		17,000	3,180,000	384,000	165,000	3,729,000
ILLINOIS	5,047,000	860,000		84,000	5,991,000	713,000	110,000	6,814,000
INDIANA	2,752,000	90,000		356,000	3,198,000	389,000	110,000	3,697,000
IOWA	4,955,000	440,000		0	5,395,000	701,000	275,000	6,371,000
KANSAS	4,252,000	710,000		8,000	4,970,000	601,000	165,000	5,736,000
KENTUCKY	3,539,000	1,200,000		78,000	4,817,000	500,000	55,000	5,372,000
LOUISIANA	2,804,000	300,000		0	3,104,000	396,000	110,000	3,610,000
MAINE	1,920,000	270,000		0	2,190,000	271,000	110,000	2,571,000
MARYLAND	668,000	668,000		37,000	1,373,000	93,000	110,000	1,576,000
MASSACHUSETTS	400,000	429,000		1,000	830,000	57,000	165,000	1,052,000
MICHIGAN	3,769,000	411,000		12,000	4,192,000	533,000	220,000	4,945,000
MINNESOTA	5,166,000	30,000		2,000	5,198,000	730,000	165,000	6,093,000
MISSISSIPPI	4,075,000	400,000		131,000	4,606,000	576,000	55,000	5,237,000
MISSOURI	5,895,000	650,000		152,000	6,697,000	833,000	55,000	7,585,000
MONTANA	3,654,000	200,000		18,000	3,872,000	517,000	55,000	4,444,000
NEBRASKA	3,490,000	1,335,000		57,000	4,882,000	493,000	275,000	5,650,000
NEVADA	633,000	0		0	633,000	89,000	0	722,000
NEW HAMPSHIRE	470,000	550,000		0	1,020,000	67,000	110,000	1,197,000
NEW JERSEY	449,000	300,000		0	749,000	63,000	55,000	867,000
NEW MEXICO	1,759,000	100,000		0	1,859,000	249,000	55,000	2,163,000
NEW YORK	3,560,000	600,000		88,000	4,248,000	506,000	220,000	4,974,000
NORTH CAROLINA	3,339,000	262,000		23,000	3,624,000	472,000	165,000	4,261,000
NORTH DAKOTA	2,797,000	170,000		0	2,967,000	395,000	55,000	3,417,000
OHIO	3,216,000	570,000		9,000	3,795,000	455,000	165,000	4,415,000
OKLAHOMA	3,093,000	0		123,000	3,216,000	438,000	110,000	3,764,000
OREGON	2,890,000	1,075,000		0	3,965,000	409,000	220,000	4,594,000
PENNSYLVANIA	3,443,000	375,000		0	3,818,000	486,000	110,000	4,414,000
PUERTO RICO	401,000	175,000		0	576,000	57,000	55,000	688,000
RHODE ISLAND	52,000	100,000		0	152,000	7,000	55,000	214,000
SOUTH CAROLINA	1,872,000	450,000		17,000	2,339,000	265,000	165,000	2,769,000
SOUTH DAKOTA	2,239,000	465,000		0	2,704,000	317,000	220,000	3,241,000
TENNESSEE	2,764,000	700,000		0	3,464,000	390,000	165,000	4,019,000
TEXAS	13,198,000	500,000		351,000	14,049,000	1,867,000	165,000	16,081,000
UTAH	1,492,000	500,000		0	1,992,000	211,000	165,000	2,368,000
VERMONT	674,000	1,800,000		9,000	2,483,000	124,000	110,000	2,717,000
VIRGINIA	2,523,000	125,000		188,000	2,836,000	357,000	110,000	3,303,000
VIRGIN ISLANDS	18,000	0		0	18,000	2,000	0	20,000
WASHINGTON	3,604,000	125,000		0	3,729,000	509,000	110,000	4,348,000
WEST VIRGINIA	1,554,000	350,000		28,000	1,932,000	220,000	110,000	2,262,000
WISCONSIN	3,967,000	0		16,000	3,983,000	561,000	110,000	4,654,000
WYOMING	1,389,000	0		0	1,389,000	196,000	55,000	1,640,000
TOTAL	**141,485,000**	**23,000,000**	**50,000**	**2,000,000**	**166,535,000**	**20,000,000**	**6,750,000**	**193,285,000**

AGRICULTURAL CONSERVATION PROGRAM
Conservation Reporting and Evaluation System
1991 and 1992 Summary Results



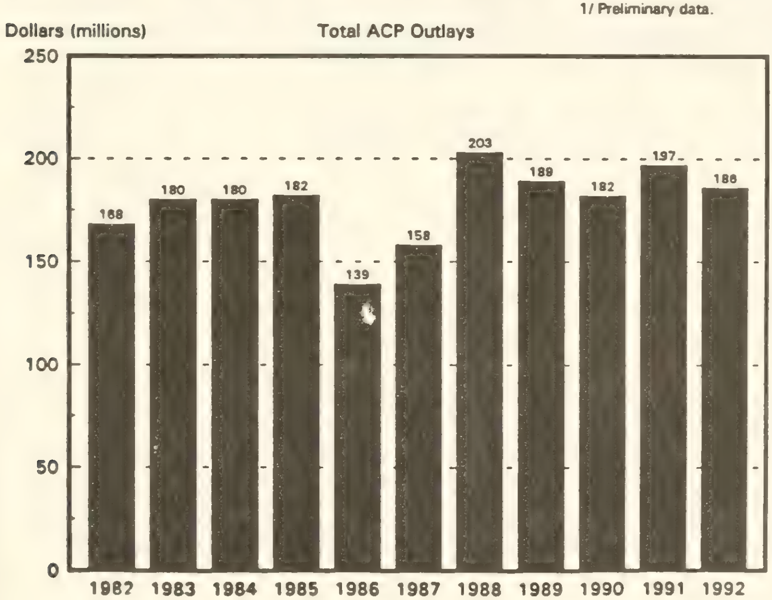
AGRICULTURAL CONSERVATION PROGRAM (ACP)

Total U.S. Farms-Number Participating Farms-Average Payment Per Farm
Fiscal Years 1982 - 1992



1/ Preliminary data.

Total ACP Outlays



AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Colorado River Basin Salinity Control Program

> For necessary expenses for carrying out a voluntary cooperative salinity control program pursuant to section 202(c) of title II of the Colorado River Basin Salinity Control Act, as amended (43 U.S.C. 1592(c)), to be used to reduce salinity in the Colorado River and to enhance the supply and quality of water available for use in the United States and the Republic of Mexico, [$13,783,000] $8,499,000, to remain available until expended (7 U.S.C. 2209b), to be used for investigations and surveys, for [technical assistance in developing conservation practices and in the preparation of salinity control plans, for] the establishment of on-farm irrigation management systems, including related lateral improvement measures, for making cost-share payments to agricultural landowners and operators, Indian tribes, irrigation districts and associations, local governmental and nongovernmental entities, and other landowners to aid them in carrying out approved conservation practices as determined and recommended by the county [ASC] committees, approved by the State [ASC] committees and the Secretary[, and for associated costs of program planning, information and education, and program monitoring and evaluation: Provided, That the Soil Conservation Service shall provide technical assistance and the Agricultural Stabilization and Conservation Service shall provide administrative services for the program, including but not limited to, the negotiation and administration of agreements and the disbursement of payments]: Provided [further], That such program shall be coordinated with the regular Agricultural Conservation Program and with research programs of other agencies.

The change in language deletes authority for expenditures for technical assistance using funds appropriated to CRSC. Beginning in fiscal year 1994, it is proposed that technical assistance formerly included in this account be funded by the Salaries and Expenses account of the proposed Farm Service Agency. The change also deletes reference to the role of ASCS, since those functions would also be carried out by the FSA.

COLORADO RIVER BASIN SALINITY CONTROL PROGRAM

Appropriations Act, 1993	$13,783,000
Budget Estimate, 1994	8,499,000
Change in Appropriation	-5,284,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1993 Estimated	Other Changes	1994 Estimated
Cost-sharing to landowners and others	$8,154,300	+$344,700	$8,499,000
Technical Assistance	5,628,700	-5,628,700	--
Total available	13,783,000	-5,284,000	8,499,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1992 Actual	1993 Estimated	Increase or Decrease	1994 Estimated
Cost-Sharing to landowners and others	$8,840,012	$8,154,300	+$344,700(1)	$8,499,000
Technical assistance	5,942,988	5,628,700	-5,628,700(2)	--
Total, Appropriation	14,783,000	13,783,000	-5,284,000	8,499,000

PROJECT STATEMENT
(On basis of available funds)

Project	1992 Actual	1993 Estimated	Increase or Decrease	1994 Estimated
Cost-sharing to landowners and others	$9,771,527	$9,805,949	-$1,306,949	$8,499,000
Technical assistance	5,942,988	5,628,700	-5,628,700	--
Total available	15,714,515	15,434,649	-6,935,649	8,499,000
Unobligated balance brought forward from prior years	-2,583,164	-1,651,649	+1,651,649	--
Unobligated balance carried forward to next year	1,651,649	--	--	--
Total, Appropriation	14,783,000	13,783,000	-5,284,000	8,499,000

EXPLANATION OF PROGRAM

The Colorado River Basin Salinity Control Program (CRSC) is authorized by section 202(c) of Title II of the Colorado River Basin Salinity Control Act of 1974 (43 U.S.C. 1592c), as amended, and is in compliance with Section 310, International Pollution Abatement, of the Federal Water Pollution Control Act Amendments of 1972, P.L. 92-500, 86 Stat. 816. Salinity problems in the Colorado River Basin are a critical concern to the seven Basin States -- Arizona, California, Colorado, Nevada, New Mexico, Utah, and Wyoming -- and to the Republic of Mexico. The purpose of the CRSC is to reduce the salt content of the upper Colorado River Basin while supporting the Nation's commitment to

the 1973 International Boundary and Water Commission Agreement concerning the quality of water delivered downstream to users in the U.S. and Mexico.

Colorado River waters are apportioned by the Upper Basin States (Colorado, New Mexico, Utah, and Wyoming) and Lower Basin States (Arizona, California, and Nevada) in accordance with the provisions of Colorado River Compact of 1922. The Compact defines the minimum quantity of Colorado River waters to be delivered annually to Mexico and provides the format for the division of the Colorado River waters by the Upper and Lower Basin States to meet the terms of the Compact.

The objectives of the program are to provide financial and technical assistance to:

- Identify salt source areas in the Colorado River Basin (SCS).
- Develop project plans for conservation practices to reduce salt loads in the Colorado River (SCS).
- Install conservation practices through cost-sharing assistance (ASCS).
- Carry out research, education, and demonstration activities (ES, ARS, and CSRS).
- Carry out monitoring and evaluation activities (SCS).

The U.S. Department of the Interior (DOI) has estimated that irrigated agriculture contributes about 37 percent of the total salt load to the Colorado River above the Imperial Dam. Generally, on-farm irrigation and water distribution systems, especially in the Upper Basin, are not efficient and have a high level of surface runoff, excessive deep percolation, and high amounts of seepage from irrigation canals and laterals. Salt loading occurs as seepage and deep percolation leach salts from the soil and underlying geologic formations into the river. Salt concentrations are caused by evaporation, evapo-transpiration of irrigated crops, and export of water for other uses leaving salt in the soil and remaining water.

The Colorado River serves as the primary source of water for parts of the seven Basin States and is used and reused for crop irrigation, hydro-electric power generation, and municipal and industrial purposes. Increases in the salinity of the water cause considerable economic losses. Salinity build-up in the soil root zones reduces or eliminates economic returns from growing agricultural products. Excessive salinity in groundwater, lakes, streams, and rivers reduces or precludes the use of this water by man or wildlife.

The CRSC Program applies to lands that are in an identified salt source area and are owned or controlled by private individuals, Indian tribes, irrigation districts or companies, or State or local governments. Landowners or operators are eligible to participate in the CRSC Program if all of the following apply:

- Their lands or activities contribute to the project area's salt loading of the Colorado River.

- Their lands or activities in a project area are designated as critical areas or salt sources;

- The conservation district approves the salinity control plan covering the critical areas and salt sources; and

- The participant meets any minimum acreage requirements established by the county ASC committee.

County ASC committees may enter into CRSC contracts with individuals or entities on eligible land. Under these contracts, ASCS agrees to share with the participant the cost of establishing necessary salinity reduction

practices. In return, a participant must agree to carry out a cost-effective salinity control plan developed for the participant's land. The salinity control plan (Project Implementation Plan) includes the salinity reduction practice or practices that must be installed as well as a schedule of completion dates.

Cost-share levels up to 70 percent of the total cost are authorized for the CRSC Program. Levels exceeding the on-farm and offsite benefits must be approved by agency headquarters with USDA Salinity Control Coordinating Committee concurrence. The combined cost-shares by Federal, State, and others shall not exceed 100 percent of the cost of carrying out a salinity reduction practice. Cost-share assistance levels vary among projects.

Reimbursement of 30 percent of ASCS cost-share funds is billed by DOI and paid by the States to Treasury. The Upper Basin States and Lower Basin States contribute 15 percent and 85 percent, respectively, of the 30-percent share repaid.

Salinity reduction practices (SRP's) for which cost-sharing may be authorized are:

SRP 1 ON-FARM SALT LOAD REDUCTION: To reduce salt contributions by conserving or reducing deep percolation of water and controlling erosion, where erosion is contributing significantly to the salt loading of water.

SRP 2 OFF-FARM SALT LOAD REDUCTION: To reduce salt contributions by conserving or reducing seepage of water and controlling erosion, where erosion is contributing significantly to the salt loading of water.

SRP 3 PERMANENT WILDLIFE HABITAT: To protect, restore, or develop permanent wildlife habitat cover or food, to replenish wildlife.

SRP 4 SHALLOW WATER AREAS FOR WILDLIFE: To develop or restore shallow water areas to replace the associated wildlife resources.

SRP SPECIAL SALINITY REDUCTION PRACTICES: Projects may develop permanent salinity reduction and fish and wildlife practices needed to solve a significant, unique local problem that has been designated high priority in the Project Implementation Plan and for which national program practices are not adequate.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $344,700 for cost sharing to landowners and others ($8,154,300 available in fiscal year 1993 for cost sharing).

Need for Change. The Colorado River Basin Salinity Control Program funds direct financial assistance to producers. The $8.499 million budget request would enable the program to continue its water quality objectives in existing projects and permit additional participation of landowners in all project areas.

The fiscal year 1994 budget request supports the objectives of the Colorado River Basin Salinity Control Act, enacted by Congress in 1974, which authorized the Secretary of Agriculture to establish a voluntary cooperative salinity control program to enhance and protect the quality of water available in the Colorado River for use in the United States and Mexico.

<u>Nature of Change.</u> Technical assistance is currently funded by the program to aide landowners in the development of practices. Beginning in fiscal year 1994, however, technical assistance is proposed to be funded within the administrative expenses budget of the proposed Farm Service Agency. Only financial assistance to producers will remain in this account.

The budget request of $8.499 million will be used to install practices designed to reduce salinity levels ir the Colorado River. These measures are expected to reduce salt loading to the Colorado River by approximately 22,500 tons annually.

(2) <u>A decrease of $5,628,700 for technical assistance which is being proposed for funding under the Farm Service Agency in fiscal year 1994.</u>

The following tables show (a) outla's for fiscal year 1992 and (b) geographic breakdown of obligations for fiscal years 1992-1994.

Colorado River Basin Salinity Control Program
Fiscal Year 1992 Outlays by State

State	Outlays
Colorado	$2,816,155
Utah	2,397,311
Wyoming	713,911
SCS & ES Technical Assistance	5,313,000
Total	$11,240,377

Colorado River Basin Salinity Control Program
Geographic Breakdown of Obligations
Fiscal Year 1992 and Estimated Fiscal Years 1993 and 1994

State	1992 Actual	1993 Estimated	1994 Estimated
Colorado	$5,689,621	$5,438,208	$4,156,125
Utah	3,046,198	3,295,601	3,048,750
Wyoming	1,035,708	972,140	794,125
Nevada	0	100,000	500,000
SCS Technical Assistance Costs a/	5,313,000	5,010,300	0
ES Information–Education Costs a/	629,988	618,400	0
Total, Available or Estimate	$15,714,515	$15,434,649	$8,499,000

a/ Includes technical assistance for FY 1992 and 1993. Beginning in 1994, it is proposed that technical assistance formerly included in this account be funded within the proposed Farm Service Agency.

COLORADO RIVER BASIN SALINITY CONTROL PROGRAM

STATUS OF PROGRAM

Current Activities: Cost-share levels of up to 70 percent of total costs are authorized in the seven basin States of Arizona, California, Colorado, Nevada, New Mexico, Utah, and Wyoming. However, cost-share assistance levels vary among projects. Ongoing salinity control projects through fiscal year 1992 are:

Colorado	Grand Valley Unit Lower Gunnison Unit McElmo Creek Unit
Utah	Uinta Basin Unit
Wyoming	Big Sandy River Unit

Salinity control plans are designed for participants in these project areas to prevent irrigation water concentrated heavily with salts and minerals from reentering the river. This aim is achieved by installing on farm irrigation system improvements.

All projects include the following activities:

-- Cost-Share Assistance. Since irrigation practices contribute a substantial amount of salt, fertilizer, and other agricultural pollutants into the river, ASCS cost-sharing is available to improve or automate irrigation systems on land where a significant problem exists. Measures include those that reduce excessive deep ground water percolation from irrigation lateral seepage and over-irrigation, and those that reduce the amount of saline return flows from irrigated agriculture.

-- Technical Assistance. Soil Conservation Service (SCS) provides technical assistance which includes developing irrigation management plans, performing engineering surveys, assisting in design and construction, and monitoring and evaluating the progress and impacts of on-farm salinity control activities.

-- Information and Education. Extension Service (ES) is responsible for developing, carrying out, and coordinating information and education programs on a project basis and may provide other technical support (monitoring and evaluation) to carry out the program.

Current efforts demonstrate that both on-farm and off-farm structural approaches are required to meet long-term objectives. Accomplishment results also show that cost effectiveness can be maximized by greater use of USDA on-farm measures.

Selected Examples of Recent Progress:

The Grand Valley of Mesa County in Western Colorado contributes about 600,000 tons of salt each year to the Colorado River. Irrigation practices and systems contribute about half the salt load. Excess flood irrigation water percolates down to underlying shale, which dissolves and carries salt into the river.

To reduce the salinity level, conversion of the present flood irrigation systems to automated or semi-automated systems is required. The conversion includes lining irrigation ditches, using gated pipe, installing sensoring devices, and installing drip irrigation systems in orchards.

During fiscal year 1992, 44 CRSC contracts were signed with participants.

From inception of the program in fiscal year 1987 through fiscal year 1993, $8.935 million has been allocated to Grand Valley for cost-sharing with farmers.

The Uinta Basin unit in Utah is predominantly an agricultural area. Irrigation was introduced in the Basin in 1905 and has steadily increased since then. Few irrigation improvements have been installed throughout the years. Saline land areas and salt concentrations in the river systems contribute about 450,000 tons of salt per year into the Colorado River.

In fiscal year 1992, 109 CRSC contracts were signed with individual land users and groups. In fiscal years 1987 through 1993, $15.803 million in cost-share funds has been allocated to participants in the Uinta project.

The Big Sandy River unit is located in southwestern Wyoming. Due to the highly permeable soil in the irrigated area, the on-farm ditches and surface methods of field irrigation currently being used percolate large quantities of excess irrigation water annually into the shallow underground aquifer. The highly saline water from the aquifer reenters the Big Sandy River through seeps and contributes to the estimated annual salt loading of 149,000 tons. On-farm conversion of existing gravity irrigation systems to low-head sprinkler irrigation systems will provide effective irrigation water management.

Funds of $3.685 million have been allocated for salinity control cost-shares through fiscal year 1993. During fiscal year 1992, 16 contracts were approved.

The Lower Gunnison Basin unit is located in Delta and Montrose counties in west-central Colorado, and contributes an estimated 1.1 million tons of salt annually to the Colorado River system.

Salt loading from irrigated and related upland areas is the major issue in these units. The goal is to reduce deep percolation from irrigated fields and reduce seepage from off-farm earthern laterals. Collectively, these units will reduce annual salt loading into the Colorado River by 280,500 tons.

Funds of $9.082 million have been allocated for salinity control cost-shares through fiscal year 1993. During FY 1992, 196 contracts were approved.

The McElmo Creek unit is located in southwest Colorado and contributes about 119,000 tons of salt each year to the Colorado River. Irrigation is a major contributor of the annual salt load to the Colorado River.

Funds of $2.908 million have been allocated for cost-sharing salinity reduction practices through fiscal year 1993. During fiscal year 1992, 52 contracts were signed.

The tables that follow provide on farm accomplishments and agency funding by activity.

Colorado River Basin Salinity Control Program
On-Farm (Land Treatment) Accomplishments

Implementation	Grand Valley (1979-92)		Uinta (1980-92)		Big Sandy (1988-92)		Lower Gunnison #1,2 and 3 (1988-92)		McElmo Creek (1987-92)	
Total Area to be Treated (acres)	53,000		137,000		15,750		169,000		21,550	
Ditch Linings/Pipelines (miles)	354		515		14		48		20	
Land Leveling (acres)	4,505		2,239		0		706		0	
Irrigation Systems - Sprinkler (no.)	38	1/	1,040	2/	35	3/	6	4/	49	5/
Salt Load Reduction										
Total (tons/year)	56,653		55,485		21,585		24,772		3,561	
Deep Percolation Reduction - (acre/ft/year), includes seepage	14,788		44,449		8,302		1,291		838	

1/ On 619 acres
2/ On 67,399 acres
3/ On 3,207 acres
4/ On 172 acres
5/ On 949 acres

Colorado River Basin Salinity Control Program Funding
($000)

Fiscal Year	ASCS Appropriated Level	ASCS (Cost-Share)	SCS (Technical Assistance) 1/	ES (Information/ Education)	Total
1987	$3,804	$2,450	$1,284	$70	$3,804
1988	4,904	3,089	1,640	175	4,904
1989	5,452	3,441	1,738	273	5,452
1990	10,341	5,955	3,944	442	10,341
1991	14,783	8,870	5,313	600	14,783
1992	14,783	8,840	5,313	630	14,783
1993	13,783	8,192	5,040	551	13,783
Total	$67,850	$40,837	$24,272	$2,741	$67,850

1/ Includes Monitoring & Evaluation and Planning Studies.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

<u>Conservation Reserve Program</u> [(Including Transfers of Funds)]

> For necessary expenses to carry out the conservation reserve program pursuant to the Food Security Act of 1985 (16 U.S.C. 3831-3845), [$1,578,517,000] <u>$1,755,541,000</u>, to remain available until expended, to be used for Commodity Credit Corporation expenditures for cost-share assistance for the establishment of conservation practices provided for in approved conservation reserve program contracts, <u>and</u> for annual rental payments provided in such contracts[, and for technical assistance]: Provided, That none of the funds in this Act may be used to enter into new contracts that are in excess of the prevailing local rental rates for an acre of comparable land<u>: Provided further, That none of the funds made available under this heading shall be used for technical assistance</u>.

<u>The change</u> in language deletes authority for expenditures for technical assistance using funds appropriated to CRP. Beginning in fiscal year 1994, it is proposed that technical assistance formerly included in this account be funded by the Salaries and Expenses account of the proposed Farm Service Agency.

CONSERVATION RESERVE PROGRAM

Appropriations Act, 1993	$1,578,517,000
Budget Estimate, 1994	1,755,541,000
Increase in Appropriation	+$177,024,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1993 Estimated	Other Changes	1994 Estimated
Financial assistance:			
Annual rental payments	$1,538,374,231	+$201,540,484	$1,739,914,715
Cost-sharing assistance	33,755,000	-18,128,715	15,626,285
Easement overhead costs	1,336,406	-1,336,406	--
Subtotal	1,573,465,637	+182,075,363	1,755,541,000
Technical Assistance:			
SCS	5,051,363	-5,051,363	--
FS	--	--	--
Subtotal	5,051,363	-5,051,363	0
Total Available	1,578,517,000	+177,024,000	1,755,541,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1992 Actual	1993 Estimated	Increase or Decrease	1994 Estimated
Financial assistance:				
Annual rental payments	$1,563,487,912	$1,538,374,231	+$201,540,484	$1,739,914,715
Cost-sharing assistance	39,315,888	33,755,000	-18,128,715	15,626,285
Easement overhead costs	267,919	1,336,406	-1,336,406	--
Subtotal	1,603,071,719	1,573,465,637	182,075,363 (1)	1,755,541,000
Technical assistance:				
SCS	7,063,095	5,051,363	-5,051,363	--
FS	1,142,186	--	--	--
Subtotal	8,205,281	5,051,363	-5,051,363 (2)	--
Total, Appropriation	1,611,277,000	1,578,517,000	177,024,000	1,755,541,000

PROJECT STATEMENT
(On basis of available funds)

Project	1992 Actual	1993 Estimated	Increase or Decrease	1994 Estimated
Financial assistance:				
Annual rental payments......	$1,612,477,224	$1,739,520,000	+$71,447,000	$1,810,967,000
Cost-sharing assistance....	39,315,888	33,755,000	-18,128,715	15,626,285
Easement overhead costs.........	267,919	1,336,406	-1,336,406	--
Subtotal.......	1,652,061,031	1,774,611,406	+51,981,879	1,826,593,285
Technical assistance:				
SCS............	7,063,095	5,051,363	-5,051,363	--
FS.............	1,142,186	--	--	--
Subtotal.......	8,205,281	5,051,363	-5,051,363	--
Total, program level...........	1,660,266,312	1,779,662,769	+46,930,516	1,826,593,285
Recovery of prior year obligations....	-812,816	--	--	--
Unobligated balance brought forward from prior years....	-320,374,550	-272,198,054	+201,145,769	-71,052,285
Unobligated balance carried forward to next year...........	272,198,054	71,052,285	-71,052,285	--
Total, Appropriation..	1,611,277,000	1,578,517,000	+177,024,000	1,755,541,000

EXPLANATION OF PROGRAM

The Conservation Reserve Program (CRP) was established initially as a voluntary program to help farmers prevent or control soil erosion on highly erodible and environmentally sensitive cropland. The continuation of the program authorized by the Food, Agriculture, Conservation, and Trade Act of 1990 targets additional participation to areas where agriculture adversely impacts water quality. In accordance with the FACT Act, the program is directed toward encouraging the enrollment of croplands in conservation priority areas such as the Chesapeake Bay region, Great Lakes region, Long Island Sound region, and other areas of special environmental sensitivity in order to maximize benefits to water quality and wildlife habitat. Eligible land also includes areas with identified water quality impairment, designated priority areas and public wellhead areas identified by the Environmental Protection Agency.

The objectives of the CRP are to conserve and improve soil and water resources by establishing vegetative cover on eligible cropland. The program also adjusts the production of some agricultural commodities. The CRP is authorized in all 50 States, Puerto Rico, and the Virgin Islands. It is

administered through the Commodity Credit Corporation (CCC) under the general supervision of the Administrator, ASCS, and is carried out by State and local ASC committees. Farmers decide what eligible cropland to offer for enrollment. Those whose bids are accepted enter into a contract with ASCS in which they agree to take the land out of annual crop production, establish cover of perennial grass, legumes, wildlife cover, or trees, and make a proportionate reduction in their program base acreage. The contracts are for 10 years or, at the participant's option, for up to 15 years if the acreage is to be planted to hardwood trees, shelterbelts, windbreaks, or wildlife habitat corridors. Under the eleventh signup, land established to specified practices was required to be placed under useful life easement of 15 to 30 years. Under the twelfth signup, useful life easements are voluntary. In return, USDA provides annual rental payments for 10- to 15-year contracts and useful life easements, and one-time payments for half the cost of establishing the cover.

In fiscal years 1988 through 1993, funds were appropriated in advance for rental, cost-sharing, and technical assistance payments. The Food Security Act of 1985, as amended by the FACT Act of 1990, provides authority to enter into CRP contracts through fiscal year 1995. Appropriations will be requested annually to make payments through fiscal year 2011.

The FACT Act established a new umbrella program, the Environmental Conservation Acreage Reserve Program (ECARP), which encompasses the existing CRP and a new Wetlands Reserve Program (WRP) to assist owners of eligible lands in restoring and protecting wetlands. The law requires that at least 40 million acres be enrolled in ECARP by the end of 1995, including acreage already in the CRP. In addition, the law specifies a 1-million-acre minimum enrollment in the CRP in both calendar years 1994 and 1995 and, to the extent practicable, a 1-million-acre total enrollment in the WRP.

<u>1993 Program</u>

1. <u>Program Participation</u>. During fiscal year 1993, no signup will be held due to a provision in the fiscal year 1993 appropriations act, which specifically prohibits an enrollment period in fiscal year 1993. Total enrollment is approximately 36.53 million acres through fiscal year 1992, including the 1.1 million acres tentatively accepted in the twelfth signup.

2. <u>Eligibility</u>. To be eligible to enter a CRP contract, an applicant must:

   -- be an individual, partnership, association, corporation, estate, trust, other business enterprise or legal entity, or State or local subdivision of a State owning or operating State or local croplands

   -- own or operate eligible cropland that

      - has been planted to an agricultural commodity in at least two of the five years 1986 through 1990

      - meets the definition of eligible land announced by the Secretary for CRP purposes

   -- implement an approved conservation plan

   -- refrain from grazing or harvesting any crops from the land enrolled in CRP, unless authorized for emergency purposes

   -- reduce the aggregate total of acreage bases, allotments, and quotas for the contract period by an amount based on the ratio of the total cropland acreage and the total acreage subject to the CRP contract.

3. Bid Selection. Bid selection is made after a nationwide review and evaluation, and will be based on the environmental benefits of placing the land in the CRP compared to the dollar cost. To increase water quality benefits under the CRP, areas such as filterstrips, sod waterways, shelterbelts, and contour grass strips received additional consideration during the evaluation process.

4. Annual Rental Payments. Annual rental payments, subject to compliance certification, are made after October 1 of the effective year of the contract. Rental payments of $1.74 billion due in fiscal year 1993 for crop years 1986 through 1992 rental agreements were made in October 1992, and were paid entirely in cash.

5. Technical Assistance. The technical services of the Soil Conservation Service, Forest Service, and other appropriate agencies are used to carry out the CRP. The SCS determines eligibility of land and assists farmers in preparing conservation plans. The Forest Service and cooperating State forestry agencies help plan and install practices involving trees. In addition, as a component of technical assistance provided to producers, the Federal Government pays fair and reasonable overhead costs of useful life easements on land within a State-approved wellhead protection area and on land established to certain priority practices.

JUSTIFICATION OF INCREASE AND DECREASE

(1) An increase of $182,075,363 in appropriation for estimated expenditures for annual rental payments and cover costs due in fiscal year 1994 ($1,573,465,637 available in fiscal year 1993).

Need for Change. In accordance with the Food Security Act of 1985, as amended, funds are needed in 1994 to make payments for costs coming due in 1994.

Program costs described above are expected to increase by a net of $52.0 million in 1994, to reflect

- an increase of $71.4 million to cover rental payments coming due for the first time on the 1.13 million 1993-crop acres enrolled in fiscal year 1992

- a decrease of approximately $18.1 million in estimated vegetative cover establishment costs

- a decrease of approximately $1.3 million in useful life easement overhead costs since no useful life easement overhead costs are anticipated beyond fiscal year 1993

Also because the unobligated balance expected to be available in fiscal year 1994 will be over $130 million lower than the amount of unobligated balance actually used in fiscal year 1993, estimated appropriation needs will increase by that amount.

Nature of Change. Program funds are currently being used to pay for program related technical assistance. Beginning in fiscal year 1994, technical assistance is proposed to be funded from within the administrative expenses budget of the proposed Farm Services Agency. Only financial assistance will remain in this account. The fiscal year 1994 appropriation request of $1.756 billion, together with the estimated $71 million in unobligated balances brought forward from fiscal year 1993, would provide:

- $15.6 million for cost-sharing practices to establish permanent cover in fiscal year 1994 on 1993 and previous crop year acres.

- $1.811 billion for cash rental payments for 1986- through 1993-crop acreage contracts signed during fiscal years 1986 through 1992. No CCC commodity certificates were used to make rental payments in fiscal year 1993 and none are proposed in fiscal year 1994.

(2) A decrease of $5,051,363 million for technical assistance which is being proposed for funding under the Farm Service Agency in fiscal year 1994.

The following tables show (a) actual CRP enrollment through fiscal year 1992 and estimated enrollment for fiscal years 1993 through 1995, and (b) the geographic breakdown of obligations for fiscal years 1992-1994.

Conservation Reserve Program
Actual Enrollment Through 1992 and Estimated Through 1995
(Millions of Acres)

Crop Year	Actual FY 1986	Actual FY 1987	Actual FY 1988	Actual FY 1989	Actual FY 1990	Actual FY 1991	Actual FY 1992	Estimated FY 1993	Estimated FY 1994	Estimated FY 1995	Crop Year Total
1986	2.04	--	--	--	--	--	--	--	--	--	2.04
1987	6.19	7.48	--	--	--	--	--	--	--	--	13.67
1988	--	6.44	2.32	--	--	--	--	--	--	--	8.76
1989	--	--	3.66	1.69	--	--	--	--	--	--	5.35
1990	--	--	--	4.10	--	--	--	--	--	--	4.10
1991	--	--	--	--	--	.48	--	--	--	--	0.48
1992	--	--	--	--	--	1.00	--	--	--	--	1.00
1993	--	--	--	--	--	--	1.13	--	--	--	1.13
1994	--	--	--	--	--	--	--	--	--	--	0.00
1995	--	--	--	--	--	--	--	--	1.00	--	1.00
1996	--	--	--	--	--	--	--	--	--	1.47	1.47
Total	8.23	13.92	5.98	5.79	--	1.48	1.13	--	1.00	1.47	39.00
Cumulative, Fiscal Year	8.23	22.15	28.13	33.92	33.92	35.40	36.53	36.53	37.53	39.00	

NOTE: The law requires that at least 39 million acres be enrolled in CRP by the end of 1995, including a 1-million-acre minimum enrollment in both calendar years 1994 and 1995.

Conservation Reserve Program
Geographic Breakdown of Obligations
Fiscal Year 1992 and Estimated Fiscal Years 1993 and 1994

State	1992 Actual	1993 Estimated	1994 Estimated
Alabama	23,382,933	27,294,442	28,583,163
Alaska	937,773	1,306,180	1,292,373
Arizona	1,312	1,312	1,312
Arkansas	11,823,789	12,334,702	13,180,963
California	8,396,230	9,275,737	9,287,264
Colorado	78,636,069	96,289,962	96,012,879
Connecticut	--	--	--
Delaware	60,115	49,958	49,430
Florida	5,206,582	6,421,903	6,721,699
Georgia	25,959,856	34,373,664	35,214,656
Hawaii	60,960	3,534	3,497
Idaho	36,609,025	42,138,750	43,906,392
Illinois	50,641,589	37,628,678	42,488,583
Indiana	28,032,398	21,579,429	24,259,475
Iowa	163,708,296	107,185,395	114,143,487
Kansas	150,440,497	145,050,161	145,351,020
Kentucky	24,443,006	21,660,298	22,657,123
Louisiana	6,498,746	7,151,274	7,290,828
Maine	1,746,609	1,895,544	1,899,497
Maryland	1,486,853	998,956	1,075,321
Massachusetts	1,020	1,490	1,475
Michigan	13,378,506	13,295,064	18,633,576
Minnesota	98,544,241	95,194,559	96,340,535
Mississippi	33,166,654	40,117,201	42,478,476
Missouri	97,304,342	81,810,890	87,907,633
Montana	102,795,712	140,858,230	142,433,450
Nebraska	74,091,045	70,009,242	71,279,026
Nevada	117,075	153,654	152,030
New Hampshire	--	--	--
New Jersey	33,595	31,889	35,497
New Mexico	18,233,553	23,631,559	23,413,956
New York	3,046,964	3,045,735	3,299,385
North Carolina	6,412,388	7,288,820	7,570,352
North Dakota	109,981,821	158,815,414	157,865,814
Ohio	19,477,434	16,902,973	20,286,869
Oklahoma	49,219,755	59,007,006	59,065,041
Oregon	25,498,780	26,150,053	26,065,869
Pennsylvania	5,665,200	4,924,724	5,096,023
Puerto Rico	29,325	22,283	22,047
Rhode Island	--	--	--
South Carolina	11,007,060	13,581,696	13,842,334
South Dakota	72,242,151	105,532,958	105,918,920
Tennessee	22,589,789	22,803,682	23,817,502
Texas	156,413,694	202,976,923	208,148,320
Utah	9,090,235	11,606,269	11,512,155
Vermont	12,447	9,750	9,647
Virgin Islands	--	--	--
Virginia	3,842,692	3,851,466	3,996,311
Washington	50,040,635	50,936,854	52,546,141
West Virginia	28,997	29,664	29,859
Wisconsin	42,290,677	35,284,144	38,767,189
Wyoming	9,862,626	12,760,929	12,638,891
Easement Overhead Costs	-- 1/	1,336,406	--
Undistributed	(430,024)	--	--
ASCS Subtotal	1,652,061,031	1,774,611,406	1,826,593,285
SCS Tech. Assistance	7,063,095	5,051,363	--
FS Tech. Assistance	1,142,186	--	--
Total Available or Estimate	1,660,266,312	1,779,662,769	1,826,593,285

1/ FY 1992 State obligations include technical assistance costs associated with establishing permanant easements. A total of $267,919 was spent on easement technical assistance in FY 1992.

CONSERVATION RESERVE PROGRAM

STATUS OF PROGRAM

Current Activities: The CRP is operated by State and local ASC committees, with technical assistance provided by appropriate agencies. The program is authorized in all 50 States, Puerto Rico, and the Virgin Islands on cropland that meets one of the following eligibility criteria:

-- has an erosion rate in excess of three times the soil loss tolerance on land classes II-V;

-- has gully erosion with erosion greater than twice the soil loss tolerance on land classes II-V;

-- belongs to land classes VI, VII, or VIII regardless of the current rate of erosion;

-- has an erodibility index equal to or greater than 8 for wind and water erosion and an erosion rate in excess of the soil loss tolerance;

-- has an erosion rate of twice the soil loss tolerance and a predominance of 33 1/3 percent if the area is planted to trees;

-- is a strip of land 66 to 99 feet wide adjacent to a perennial stream or water body;

-- is subject to scour erosion;

-- will be placed under specific enduring conservation practices;

-- is a wellhead protection area identified by EPA;

-- is a water quality impaired area that contributes to the degradation of water quality even if the land does not meet the highly erodible land criteria for being placed in the CRP. Such areas include the Chesapeake Bay Region, the Great Lakes Region, the Long Island Sound Region, and other environmentally sensitive areas approved by the Secretary.

Features of the program include:

1. Cover Practices. Nineteen practices are authorized in the National program to encourage farmers to establish a diverse mixture of perennial grasses or trees and shrubs to achieve permanent vegetative cover on highly erodible cropland. The major practices are:

   -- Establishment of permanent introduced grasses and legumes
   -- Establishment of permanent native grasses
   -- Tree planting
   -- Permanent wildlife habitat
   -- Filter strips.

2. Contracts. Farm owners or operators enter into a contract to convert eligible land to vegetative cover. Contracts with USDA are based on farm owners' and operators' bids per acre, environmental benefits per dollar, and the number of acres that are placed under a 10-year to 15-year contract.

3. Payments. Under the Food Security Act of 1985, as amended by the Food, Agriculture, Conservation, and Trade (FACT) Act of 1990, payments are authorized to be made in cash or CCC commodity certificates in accordance with the terms of the contract. In fiscal year 1992, the following payments were made:

-- <u>Cost-sharing</u> - Payments equal to 50 percent of the cost of establishing permanent cover are made in cash after certification by the farmer that work has been completed. In addition, if disease, drought, or other natural disasters cause failure in the establishment of protective cover, the cost of reestablishment will be shared. Cost-share payments of $39.32 million were made in fiscal year 1992.

-- <u>Annual rental payments</u> - Up to $50,000 per year is paid to a farm owner or operator for converting eligible land to conservation use. In fiscal year 1992 rental payments of $1.612 billion were paid in cash.

4. <u>Technical Assistance</u>. The SCS determines eligibility, develops conservation plans, and helps install approved practices. The Forest Service and cooperating State forestry agencies develop plans for tree planting and assist in carrying them out. The Extension Service provides information and educational assistance to inform landowners and operators about the program. Local soil and water conservation districts approve conservation plans. To ensure maximum program benefits, USDA consults with land grant universities, State soil and water agencies, State fish and wildlife agencies, the U.S. Fish and Wildlife Service, and others. Technical assistance payments of $1.032 million were made to the Forest Service and $6.36 million to SCS in fiscal year 1992 for services related to the twelfth CRP signup.

<u>Selected Examples of Recent Progress</u>:

During fiscal year 1992, one signup was held under provisions of the 1990 FACT Act. The following cumulative enrollment data, from fiscal year 1986 through fiscal year 1992, reflects program activity under both the Food Security Act of 1985 and the FACT Act of 1990.

-- <u>Participation</u>. Accepted bids total 376,844.

-- <u>Acreage</u>. Enrollment through fiscal year 1992 is approximately 36.5 million acres, comprised of 2.0 million 1986-crop acres, 13.7 million 1987-crop acres, 8.7 million 1988-crop acres, 5.4 million 1989-crop acres, 4.1 million 1990-crop acres, 0.5 million 1991-crop acres, 1.0 million 1992-crop acres, and 1.1 million 1993-crop acres.

-- <u>Base Acreage Reduction</u>. Base acre reduction through fiscal year 1992, except for 1993-crop acres, for which data are not yet available, totals approximately 22.6 million acres or about 62 percent of total acres enrolled.

-- <u>Tree Planting Acreage</u>. Acres designated for tree planting through fiscal year 1991 total approximately 2.4 million acres, 6.7 percent of total enrolled acres.

-- <u>Soil Erosion Reduction</u>. In total, the 36.5 million acres enrolled through fiscal year 1992 are expected to save about 695 million tons of soil per year when the land is in permanent cover.

-- <u>Water Quality Benefits</u>. Under the program 51,704 acres of filter strips were enrolled through the eleventh signup, on land adjacent to a perennial stream or water body.

The following tables provide (1) a national summary of CRP activity through fiscal year 1992 by State and by crop year; (2) a summary of total program payments made in fiscal year 1992, by State; (3) a summary of program payments made in fiscal year 1992 by State and individual crop years 1986-1993; (4) a summary of acres enrolled, base acre reduction, tree acres, and expected annual erosion reduction by State through fiscal year 1992; and (5) acres of commodity base enrolled through fiscal year 1992.

Conservation Reserve Program
National Summary Cumulative from Inception
As of 9-30-92

Table 1
Page 1

State	No. Farms & Contract	1986 Crop Year	1987 Crop Year	1988 Crop Year	1989 Crop Year	1990 Crop Year	1991 Crop Year	1992 Crop Year	1993 Crop Year	Total
		Acres Accepted								
Connecticut	0	0	0	10	0	0	0	0	0	10
Delaware	30	0	155	297	413	119	11	0	0	995
Maine	942	2,459	12,049	13,996	7,292	1,426	278	716	377	38,593
Maryland	714	486	2,272	3,921	5,132	4,246	1,575	1,808	1,366	20,806
Massachusetts	5	15	10	0	7	0	0	0	0	32
New Hampshire	0	0	0	0	0	0	0	0	0	0
New Jersey	30	150	84	129	132	165	0	[illegible]	62	722
New York	1,742	5,860	19,878	16,353	9,052	3,463	3,038	3,213	4,492	65,349
Pennsylvania	2,666	6,051	29,805	23,999	20,515	12,095	1,952	3,722	3,510	101,649
Rhode Island	0	0	0	0	0	0	0	0	0	0
Vermont	10	16	168	0	3	0	0	6	0	193
West Virginia	35	89	223	205	78	14	0	0	8	617
NORTHEAST AREA	6,174	15,126	64,644	58,910	42,624	21,528	6,854	9,465	9,815	228,966
Illinois	19,818	32,088	241,025	116,495	145,948	98,025	28,403	72,505	82,623	817,112
Indiana	11,608	10,922	138,399	67,910	93,289	54,209	14,917	40,551	45,701	465,898
Iowa	35,831	79,923	1,174,361	238,673	282,883	194,318	37,222	100,490	127,150	2,235,020
Michigan	8,222	7,458	64,865	54,812	44,665	24,505	17,792	41,822	86,102	342,021
Minnesota	27,294	136,007	1,006,881	341,002	220,812	125,970	20,230	48,487	33,826	1,933,215
Missouri	22,920	103,124	779,828	392,979	155,044	73,439	32,867	87,992	109,399	1,734,672
Ohio	8,622	8,844	95,381	43,452	57,520	48,932	19,267	51,102	55,985	380,483
Wisconsin	20,953	21,618	211,629	173,317	107,548	89,947	31,770	56,459	60,596	752,884
MIDWEST AREA	155,268	399,984	3,712,369	1,428,640	1,107,709	709,345	202,468	499,408	601,382	8,661,305
Alabama	10,149	71,173	239,603	116,096	72,993	19,664	16,487	14,601	24,786	575,403
Arkansas	3,436	21,636	72,480	53,395	48,964	28,879	9,144	11,462	15,348	261,308
Florida	2,504	12,711	39,023	36,625	24,479	10,175	2,338	3,971	5,778	135,100
Georgia	14,747	48,858	213,819	176,741	159,959	63,779	11,395	14,476	18,926	707,953
Kentucky	8,148	43,562	240,295	74,011	40,258	18,673	6,761	10,659	19,263	453,482
Louisiana	1,795	7,111	38,391	34,679	27,642	25,085	4,782	4,524	3,381	145,595
Mississippi	13,600	83,816	312,301	146,491	105,212	79,078	33,070	40,103	43,771	843,842
North Carolina	6,524	10,531	51,590	40,631	23,058	11,229	3,103	5,621	5,635	151,398
Puerto Rico	8	60	168	152	60	0	15	0	0	455
South Carolina	6,747	18,989	115,321	60,342	47,454	23,407	2,563	4,042	6,352	278,470
Tennessee	10,875	55,264	198,484	94,466	57,468	23,670	10,856	18,028	19,720	477,956
Virgin Islands	0	0	0	0	0	0	0	0	0	0
Virginia	3,195	4,962	21,852	23,091	16,498	7,535	1,399	1,886	2,916	80,139
SOUTHEAST AREA	81,728	378,673	1,543,327	856,720	624,045	311,174	101,913	129,373	165,876	4,111,101
Alaska	44	1,345	19,228	3,990	138	674	647	0	0	26,022
Idaho	3,928	100,735	376,664	174,757	93,116	45,789	19,551	35,521	34,778	880,911
Montana	7,980	50,470	768,760	1,044,571	521,287	335,045	49,167	45,731	48,153	2,863,184
Nebraska	14,480	74,062	621,451	315,314	191,269	146,834	10,521	36,301	31,584	1,427,336
North Dakota	18,542	39,642	591,632	984,459	794,086	727,385	13,799	18,990	11,459	3,181,452
Oregon	2,013	64,400	326,352	96,329	22,192	7,877	2,736	8,126	3,021	531,033
South Dakota	12,509	34,531	373,133	481,846	503,290	691,756	4,210	10,828	23,596	2,123,190
Washington	4,517	55,155	482,900	283,190	73,708	80,367	8,236	33,563	33,751	1,050,870
Wyoming	795	10,072	105,763	93,128	22,401	25,658	0	0	202	257,224
NORTHWEST AREA	64,808	430,412	3,865,883	3,477,584	2,221,487	2,081,385	108,867	189,060	186,544	12,341,222
Arizona	0	0	0	0	0	0	0	0	0	0
California	525	23,118	101,206	32,509	18,940	7,280	0	4,068	1,722	188,843
Colorado	6,207	358,777	952,330	322,691	158,965	160,278	1,566	14,157	11,641	1,980,395
Hawaii	1	85	0	0	0	0	0	0	0	85
Kansas	31,062	104,492	873,592	1,054,646	427,889	401,168	8,812	40,867	28,827	2,940,293
Nevada	10	0	0	2,072	324	727	0	0	0	3,123
New Mexico	1,518	95,696	329,867	37,939	14,880	2,383	29	1,881	506	483,181
Oklahoma	8,701	60,960	463,686	365,116	148,640	117,028	5,647	22,102	10,714	1,193,913
Texas	19,844	156,192	1,813,283	1,073,694	575,581	303,811	39,029	86,577	114,985	4,161,962
Utah	998	20,595	149,361	45,944	13,555	2,866	0	1,253	449	234,023
SOUTHWEST AREA	68,866	818,935	4,683,325	2,934,811	1,358,784	995,341	55,073	170,905	168,844	11,185,818
TOTAL AREAS	376,844	2,043,130	13,669,548	8,756,465	5,354,849	4,098,773	475,175	998,211	1,132,461	36,528 412
SCS T/A	0	0	0	0	0	0	0	0	0	0
FS T/A	0	0	0	0	0	0	0	0	0	0
ES T/A	0	0	0	0	0	0	0	0	0	0
undistributed	0	0	0	0	0	0	0	0	0	0
TOTAL PROGRAM	376,844	2,043 130	13,669,548	8,756,465	5,354,849	4,098,773	475,175	998,211	1 132 461	36,528 412

Note: Enrollment data for the 12th CRP signup for Crop Year 1993 is based on preliminary data

Conservation Reserve Program
National Summary Cumulative from Inception
As of 9-30-92

Table 1
Page 2

State	Contract Amount: 10-Year Rental	Corn Bonus	Estimated Cost-Share	Total
Connecticut	5,000	0	2,662	7,662
Delaware	656,990	12,660	43,330	712,980
Maine	19,149,299	3,421	2,146,536	21,299,256
Maryland	14,978,249	97,868	951,565	16,027,682
Massachusetts	15,200	0	3,931	19,131
New Hampshire	0	0	0	0
New Jersey	392,716	263	37,769	430,748
New York	36,501,133	1,035,009	2,448,417	39,984,559
Pennsylvania	64,314,529	925,848	2,973,447	68,213,824
Rhode Island	0	0	0	0
Vermont	96,700	0	9,333	106,033
West Virginia	302,527	6,350	11,174	320,051
NORTHEAST AREA	136,412,344	2,081,419	8,628,164	147,121,927
Illinois	610,213,791	15,796,987	24,752,360	650,763,138
Indiana	335,743,131	9,939,370	17,815,815	363,498,316
Iowa	1,796,833,345	118,192,518	59,461,618	1,974,487,481
Michigan	204,762,952	3,624,263	8,486,196	216,873,411
Minnesota	1,073,060,363	39,089,053	46,919,506	1,159,068,922
Missouri	1,091,703,749	20,296,839	47,696,996	1,159,697,584
Ohio	260,366,967	6,170,658	11,612,178	278,149,803
Wisconsin	500,985,786	15,325,636	14,926,432	531,237,854
MIDWEST AREA	5,873,670,084	228,435,324	231,671,101	6,333,776,509
Alabama	249,134,547	1,364,971	17,357,979	267,857,497
Arkansas	129,860,243	67,264	7,711,926	137,639,433
Florida	57,755,610	273,680	2,707,751	60,737,041
Georgia	308,340,723	2,600,317	17,953,813	328,894,853
Kentucky	268,470,147	10,561,342	12,608,231	291,639,720
Louisiana	64,652,663	97,205	3,275,546	68,025,414
Mississippi	368,812,304	763,805	19,319,407	388,895,516
North Carolina	70,232,742	1,058,602	4,576,239	75,867,583
Puerto Rico	274,650	0	8,314	282,964
South Carolina	119,578,007	1,255,656	5,891,438	126,725,101
Tennessee	249,349,458	3,223,473	30,882,702	283,455,633
Virgin Islands	0	0	0	0
Virginia	42,296,364	435,712	2,151,409	44,883,485
SOUTHEAST AREA	1,928,757,458	21,702,027	124,444,755	2,074,904,240
Alaska	9,529,870	0	1,928,641	11,458,511
Idaho	407,894,830	273,508	24,878,574	433,046,912
Montana	1,082,735,828	226,401	45,280,749	1,128,242,978
Nebraska	794,761,766	36,651,516	34,532,059	865,945,341
North Dakota	1,223,781,033	6,249,860	67,885,311	1,297,916,204
Oregon	260,941,049	44,150	14,354,155	275,339,354
South Dakota	888,980,086	5,610,740	39,639,786	934,230,612
Washington	530,705,626	463,221	30,526,915	561,695,762
Wyoming	98,912,392	61,826	4,849,199	103,823,417
NORTHWEST AREA	5,298,242,480	49,581,222	263,875,389	5,611,699,091
Arizona	0	0	0	0
California	92,032,750	0	2,290,081	94,322,831
Colorado	816,158,827	2,971,342	71,114,225	890,244,394
Hawaii	68,000	0	0	68,000
Kansas	1,556,105,404	6,747,014	85,852,218	1,648,704,636
Nevada	1,249,400	0	51,665	1,301,065
New Mexico	182,966,655	885,006	18,560,428	202,412,089
Oklahoma	509,406,903	509,361	25,711,727	535,627,991
Texas	1,671,620,517	11,144,888	152,662,344	1,835,427,749
Utah	93,772,424	15,453	4,241,762	98,029,639
SOUTHWEST AREA	4,923,380,880	22,273,064	360,484,450	5,306,138,394
TOTAL AREAS	18,160,463,245	324,073,056	989,103,859	19,473,640,160
SCS T/A	0	0	0	0
FS T/A	0	0	0	0
ES T/A	0	0	0	0
undistributed	0	0	0	0
TOTAL PROGRAM	18,160,463,245	324,073,056	989,103,859	19,473,640,160

Note: Contract data for the twelfth CRP signup for crop year 1993 is based on preliminary data.

Conservation Reserve Program
Fiscal Year 1992 National Summary
As of 9-30-92

Table 2

State	Payments: Cash Rental	Cost Share	Technical Assistance	Liq Payments	Total
Connecticut	0	0	0	0	0
Delaware	60,149	-34	0	0	60,115
Maine	1,717,559	37,591	0	0	1,755,150
Maryland	1,202,252	281,537	3,065	0	1,486,853
Massachusetts	1,020	0	0	0	1,020
New Jersey	33,595	0	0	0	33,595
New York	2,952,719	94,245	0	0	3,046,964
Pennsylvania	5,582,204	84,167	417	0	5,666,787
Rhode Island	0	0	0	0	0
Vermont	11,697	750	0	0	12,447
West Virginia	28,997	0	0	0	28,997
NORTHEAST AREA	11,590,192	498,257	3,481	0	12,091,929
Illinois	47,925,669	2,687,749	35,942	0	50,649,360
Indiana	26,781,784	1,245,936	4,778	0	28,032,498
Iowa	160,380,409	3,271,333	87,463	0	163,739,205
Michigan	12,515,585	861,583	1,338	0	13,378,506
Minnesota	97,263,670	1,258,241	23,335	0	98,545,246
Missouri	94,629,673	3,040,210	2,831	0	97,672,714
Ohio	17,865,637	1,608,985	2,813	0	19,477,434
Wisconsin	40,699,902	1,611,640	13,806	0	42,325,347
MIDWEST AREA	498,062,327	15,585,677	172,306	0	513,820,310
Alabama	21,926,512	1,456,174	329	0	23,383,014
Arkansas	10,826,972	996,974	2,872	0	11,826,818
Florida	5,025,832	180,751	0	0	5,206,582
Georgia	24,989,057	966,134	4,665	0	25,959,856
Kentucky	24,129,588	313,302	327	0	24,443,216
Louisiana	5,956,348	536,437	5,961	0	6,498,746
Mississippi	31,124,227	2,034,940	7,488	0	33,166,654
North Carolina	6,080,227	330,917	1,244	0	6,412,388
Puerto Rico	29,325	0	0	0	29,325
South Carolina	10,860,000	135,652	11,408	0	11,007,060
Tennessee	21,727,882	859,365	2,542	0	22,589,789
Virgin Islands	0	0	0	0	0
Virginia	3,746,580	95,885	227	0	3,842,692
SOUTHEAST AREA	166,422,549	7,906,531	37,062	0	174,366,142
Alaska	937,773	0	0	0	937,773
Idaho	35,438,407	1,179,383	510	0	36,618,300
Montana	101,676,908	1,121,469	1,946	0	102,800,323
Nebraska	72,835,199	1,237,528	18,469	0	74,091,196
North Dakota	108,571,096	1,421,564	2,910	0	109,995,570
Oregon	25,111,037	397,171	135	0	25,508,342
South Dakota	71,347,338	1,003,640	15,281	0	72,366,259
Washington	48,622,889	1,422,706	1,311	0	50,046,905
Wyoming	9,668,426	194,200	0	0	9,862,626
NORTHWEST AREA	474,209,072	7,977,661	40,562	0	482,227,295
Arizona	1,312	0	0	0	1,312
California	8,416,256	-22,155	2,130	0	8,396,230
Colorado	77,868,170	767,899	0	0	78,636,069
Hawaii	60,960	0	0	0	60,960
Kansas	148,606,785	1,824,186	9,916	0	150,440,888
Nevada	113,100	3,975	0	0	117,075
New Mexico	18,067,252	166,301	0	0	18,233,553
Oklahoma	48,267,086	950,935	1,733	0	49,219,755
Texas	152,919,326	3,493,905	730	0	156,413,960
Utah	8,911,157	179,078	0	0	9,090,235
SOUTHWEST AREA	463,231,404	7,364,124	14,509	0	470,610,037
TOTAL AREAS	1,613,515,544	39,332,250	267,919 1/	0	1,653,115,713
SCS T/A	0	0	16,188,185	0	16,188,185
FS T/A	0	0	1,025,617	0	1,025,617
ES T/A	0	0	0	0	0
undistributed	-552,925	-16,362	0	-485,395	-1,054,681
TOTAL PROGRAM	1,612,962,619	39,315,888	17,481,721	-485,395	1,669,274,834

1/ Represents technical assistance for establishment of long term easements

Crop Year 1986 Conservation Reserve Program
Fiscal Year 1992 National Summary -- 9-30-92

Table 3
Page 1

State	No. Farms & Contracts	Acres Accepted	Contract Amount: Annual Rental	Contract Amount: Estimated Cost-Share	Contract Amount: Total
Connecticut	0	0	0	0	0
Delaware	0	0	0	0	0
Maine	72	2,459	111,216	149,568	260,784
Maryland	20	486	24,751	37,768	62,519
Massachusetts	1	15	675	1,663	2,338
New Hampshire	0	0	0	0	0
New Jersey	7	150	7,675	7,878	15,553
New York	175	5,860	318,018	280,473	598,491
Pennsylvania	207	6,051	335,252	311,377	646,629
Rhode Island	0	0	0	0	0
Vermont	2	16	800	556	1,356
West Virginia	4	89	3,765	2,239	6,004
NORTHEAST AREA	488	15,126	802,152	791,522	1,593,674
Illinois	852	32,088	2,013,173	1,578,844	3,592,017
Indiana	369	10,922	621,630	512,121	1,133,751
Iowa	1,394	79,923	5,504,701	2,499,617	8,004,318
Michigan	210	7,458	389,716	213,020	602,736
Minnesota	1,833	136,007	6,480,905	3,684,170	10,165,075
Missouri	1,354	103,124	5,474,740	3,416,597	8,891,337
Ohio	267	8,844	470,327	330,874	801,201
Wisconsin	703	21,618	1,258,518	634,395	1,892,913
MIDWEST AREA	6,982	399,984	22,213,710	12,869,638	35,083,348
Alabama	959	71,173	2,528,266	3,182,973	5,711,239
Arkansas	300	21,636	990,211	838,885	1,829,096
Florida	237	12,711	445,678	221,432	667,110
Georgia	1,212	48,858	1,746,827	1,267,127	3,013,954
Kentucky	807	43,562	2,390,638	1,499,860	3,890,498
Louisiana	83	7,111	278,731	155,190	433,921
Mississippi	1,397	83,816	2,897,625	1,942,921	4,840,546
North Carolina	423	10,531	456,781	377,634	834,415
Puerto Rico	1	60	3,600	5,669	9,269
South Carolina	453	18,989	632,582	484,868	1,117,450
Tennessee	1,399	55,264	2,637,332	1,956,092	4,593,424
Virgin Islands	0	0	0	0	0
Virginia	209	4,962	213,870	173,916	387,786
SOUTHEAST AREA	7,480	378,673	15,222,141	12,106,567	27,328,708
Alaska	1	1,345	49,765	119,600	169,365
Idaho	297	100,735	4,231,955	3,312,595	7,544,550
Montana	148	50,470	1,653,972	808,978	2,462,950
Nebraska	734	74,062	3,653,090	1,896,356	5,549,446
North Dakota	295	39,642	1,331,773	758,618	2,090,391
Oregon	256	64,400	3,034,160	2,112,785	5,146,945
South Dakota	311	34,531	1,262,540	1,571,264	2,833,804
Washington	245	55,155	2,546,258	1,932,005	4,478,263
Wyoming	20	10,072	300,912	235,452	536,364
NORTHWEST AREA	2,307	430,412	18,064,425	12,747,653	30,812,078
Arizona	0	0	0	0	0
California	56	23,118	1,095,260	485,631	1,580,891
Colorado	857	358,777	13,620,596	13,531,138	27,151,734
Hawaii	1	85	6,800	0	6,800
Kansas	1,316	104,492	5,032,245	2,835,527	7,867,772
Nevada	0	0	0	0	0
New Mexico	310	95,696	3,387,888	4,909,289	8,297,177
Oklahoma	423	60,980	2,351,178	1,226,340	3,577,518
Texas	686	155,192	5,531,867	6,294,702	11,826,569
Utah	98	20,595	748,029	479,995	1,228,024
SOUTHWEST AREA	3,747	818,935	31,773,863	29,762,622	61,536,485
TOTAL AREAS	21,004	2,043,130	88,076,291	68,278,002	156,354,293
SCS T/A	0	0	0	0	0
FS T/A	0	0	0	0	0
ES T/A	0	0	0	0	0
undistributed	0	0	0	0	0
TOTAL PROGRAM	21,004	2,043,130	88,076,291	68,278,002	156,354,293

Crop Year 1986 Conservation Reserve Program
Fiscal Year 1992 National Summary -- 9-30-92

Table 3
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	Payments				
State	Cash Rental	Cost Share	Technical Assistance	Liq. Payments	Total
Connecticut	0	0	0	0	0
Delaware	0	0	0	0	0
Maine	107,941	0	0	0	107,941
Maryland	18,255	0	0	0	18,255
Massachusetts	675	0	0	0	675
New Jersey	6,985	0	0	0	6,985
New York	302,315	0	0	0	302,315
Pennsylvania	293,975	0	0	0	293,975
Rhode Island	0	0	0	0	0
Vermont	640	0	0	0	640
West Virginia	3,766	0	0	0	3,766
NORTHWEST AREA	734,552	0	0	0	734,552
Illinois	1,965,879	2,957	0	0	1,968,835
Indiana	602,506	2,795	0	0	605,301
Iowa	5,292,483	13,291	0	0	5,305,774
Michigan	385,090	0	0	0	385,090
Minnesota	6,255,980	−10,542	0	0	6,245,438
Missouri	5,319,709	8,547	0	0	5,328,256
Ohio	438,679	0	0	0	438,679
Wisconsin	1,224,071	292	0	0	1,224,363
MIDWEST AREA	21,484,397	17,340	0	0	21,501,736
Alabama	2,446,030	11,764	0	0	2,457,794
Arkansas	909,346	2,157	0	0	911,503
Florida	425,649	−40	0	0	425,608
Georgia	1,680,415	2,486	0	0	1,682,901
Kentucky	2,302,102	−293	0	0	2,301,810
Louisiana	264,003	3,718	0	0	267,721
Mississippi	2,782,943	10,892	0	0	2,793,835
North Carolina	420,191	0	0	0	420,191
Puerto Rico	3,600	0	0	0	3,600
South Carolina	612,201	427	0	0	612,628
Tennessee	2,505,044	−4,121	0	0	2,500,923
Virgin Islands	0	0	0	0	0
Virginia	203,032	−66	0	0	202,966
SOUTHEAST AREA	14,554,555	26,924	0	0	14,581,479
Alaska	82,038	0	0	0	82,038
Idaho	1,498,746	21,398	0	0	1,520,144
Montana	1,828,025	21,821	0	0	1,849,846
Nebraska	3,344,332	−99,516	0	0	3,244,817
North Dakota	1,207,730	6,622	0	0	1,214,352
Oregon	2,958,011	8,239	0	0	2,966,250
South Dakota	1,330,100	3,230	0	0	1,333,330
Washington	2,517,694	6,230	0	0	2,523,924
Wyoming	230,895	0	0	0	230,895
NORTHWEST AREA	14,997,572	−31,975	0	0	14,965,596
Arizona	0	0	0	0	0
California	1,042,824	0	0	0	1,042,824
Colorado	13,275,200	81,801	0	0	13,357,001
Hawaii	13,600	0	0	0	13,600
Kansas	4,888,239	25,533	0	0	4,913,771
Nevada	0	0	0	0	0
New Mexico	3,303,819	9,887	0	0	3,313,706
Oklahoma	2,225,638	11,046	0	0	2,236,684
Texas	5,284,738	24,408	0	0	5,309,146
Utah	717,347	4,645	0	0	721,992
SOUTHWEST AREA	30,751,405	157,320	0	0	30,908,725
TOTAL AREAS	82,522,480	169,608	0	0	82,692,088
SCS T/A	0	0	0	0	0
FS T/A	0	0	0	0	0
ES T/A	0	0	0	0	0
undistributed	0	−1,886	0	0	−1,886
TOTAL PROGRAM	82,522,480	167,722	0	0	82,690,202

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State	No. Farms & Contracts	Acres Accepted	Contract Amount: Annual Rental	Contract Amount: Corn Bonus	Contract Amount: Estimated Cost-Share	Contract Amount: Total
Connecticut	0	0	0	0	0	0
Delaware	4	155	10,015	12,660	4,556	27,231
Maine	303	12,049	596,017	3,421	725,526	1,324,964
Maryland	64	2,272	137,944	97,868	113,623	349,435
Massachusetts	1	10	500	0	2,123	2,623
New Hampshire	0	0	0	0	0	0
New Jersey	5	84	4,395	263	4,135	8,793
New York	502	19,878	1,133,439	1,035,009	707,176	2,875,624
Pennsylvania	778	29,805	1,792,310	925,848	966,675	3,684,833
Rhode Island	0	0	0	0	0	0
Vermont	6	168	8,415	0	8,476	16,891
West Virginia	12	223	10,800	6,350	3,925	21,075
NORTHEAST AREA	1,675	64,644	3,693,835	2,081,419	2,536,215	8,311,469
Illinois	4,853	241,025	17,058,386	15,796,987	7,182,307	40,037,680
Indiana	3,101	138,399	9,064,737	9,939,370	6,196,825	25,200,932
Iowa	15,272	1,174,361	90,529,636	118,192,518	29,707,680	238,429,834
Michigan	1,541	64,865	3,725,332	3,624,263	1,459,557	8,809,152
Minnesota	13,105	1,006,881	58,294,589	39,089,053	23,505,195	120,888,837
Missouri	8,717	779,828	48,969,256	20,296,839	21,152,474	90,418,569
Ohio	1,969	95,381	5,785,829	6,170,658	2,787,607	14,744,094
Wisconsin	5,100	211,629	14,179,406	15,325,636	3,735,998	33,241,040
MIDWEST AREA	53,658	3,712,369	247,607,171	228,435,324	95,727,643	571,770,138
Alabama	3,518	239,603	10,203,728	1,364,971	6,194,603	17,763,302
Arkansas	923	72,480	3,564,945	67,264	2,029,414	5,661,623
Florida	677	39,023	1,637,486	273,680	690,258	2,601,424
Georgia	4,260	213,819	9,076,305	2,600,317	5,144,490	16,821,112
Kentucky	3,986	240,295	14,198,855	10,561,342	6,566,630	31,326,827
Louisiana	490	38,391	1,659,212	97,205	765,612	2,522,029
Mississippi	4,725	312,301	13,321,674	763,805	6,395,272	20,480,751
North Carolina	1,890	51,590	2,346,534	1,058,602	1,621,108	5,026,244
Puerto Rico	3	168	10,080	0	425	10,505
South Carolina	2,427	115,321	4,880,569	1,255,656	2,327,711	8,463,936
Tennessee	4,234	198,484	10,282,758	3,223,473	6,560,402	20,066,633
Virgin Islands	0	0	0	0	0	0
Virginia	845	21,852	1,062,975	435,712	571,906	2,070,593
SOUTHEAST AREA	27,978	1,543,327	72,245,121	21,702,027	38,867,831	132,814,979
Alaska	30	19,228	702,322	0	1,439,397	2,141,719
Idaho	1,487	376,664	16,880,191	273,508	10,408,033	27,561,732
Montana	2,053	768,760	28,054,461	226,401	10,508,053	38,788,915
Nebraska	5,361	621,451	35,015,527	36,651,516	14,448,775	86,115,818
North Dakota	3,434	591,632	22,066,980	6,249,860	11,162,926	39,479,766
Oregon	1,009	326,352	16,092,263	44,150	8,722,305	24,858,718
South Dakota	2,621	373,133	14,709,040	5,610,740	7,070,774	27,390,554
Washington	1,758	482,900	23,776,502	463,221	13,662,746	37,902,469
Wyoming	320	105,763	4,093,192	61,826	1,931,287	6,086,305
NORTHWEST AREA	18,073	3,665,883	161,390,478	49,581,222	79,354,296	290,325,996
Arizona	0	0	0	0	0	0
California	229	101,206	4,894,744	0	944,302	5,839,046
Colorado	2,801	952,330	39,150,416	2,971,342	33,012,185	75,133,943
Hawaii	0	0	0	0	0	0
Kansas	8,511	873,592	45,599,977	6,747,014	22,295,287	74,642,278
Nevada	0	0	0	0	0	0
New Mexico	984	329,867	12,623,854	885,006	11,913,334	25,422,194
Oklahoma	2,976	463,686	19,517,891	509,361	8,313,992	28,341,244
Texas	7,516	1,813,283	71,450,277	11,144,888	68,156,191	150,751,356
Utah	521	149,361	6,108,757	15,453	2,688,724	8,812,934
SOUTHWEST AREA	23,538	4,683,325	199,345,916	22,273,064	147,324,015	368,942,995
TOTAL AREAS	124,922	13,669,548	684,282,521	324,073,056	363,810,000	1,372,165,577
SCS T/A	0	0	0	0	0	0
FS T/A	0	0	0	0	0	0
ES T/A	0	0	0	0	0	0
undistributed	0	0	0	0	0	0
TOTAL PROGRAM	124,922	13,669,548	684,282,521	324,073,056	363,810,000	1,372,165,577

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State	Payments: Cash Rental	Cost Share	Technical Assistance	Liq. Payments	Total
Connecticut	0	0	0	0	0
Delaware	8,878	0	0	0	8,878
Maine	540,077	0	0	0	540,077
Maryland	129,320	2,656	0	0	131,976
Massachusetts	0	0	0	0	0
New Jersey	4,995	0	0	0	4,995
New York	1,051,574	851	0	0	1,052,425
Pennsylvania	1,709,560	-5,386	0	0	1,704,174
Rhode Island	0	0	0	0	0
Vermont	9,957	0	0	0	9,957
West Virginia	10,798	0	0	0	10,798
NORTHEAST AREA	3,465,159	-1,879	0	0	3,463,280
Illinois	16,345,176	59,581	0	0	16,404,757
Indiana	8,751,019	13,827	0	0	8,764,846
Iowa	89,113,971	105,783	0	0	89,219,754
Michigan	3,623,916	2,681	0	0	3,626,597
Minnesota	56,999,869	91,085	0	0	57,090,954
Missouri	48,130,986	258,648	0	0	48,389,635
Ohio	5,570,958	-11,025	0	0	5,559,932
Wisconsin	13,679,582	47,548	0	0	13,727,130
MIDWEST AREA	242,215,476	568,128	0	0	242,783,604
Alabama	9,882,476	18,256	0	0	9,900,731
Arkansas	3,517,438	1,205	0	0	3,518,643
Florida	1,545,080	-486	0	0	1,544,594
Georgia	8,758,863	6,230	0	0	8,765,093
Kentucky	13,851,426	-4,861	0	0	13,846,564
Louisiana	1,556,210	26,840	0	0	1,583,050
Mississippi	12,993,279	5,953	0	0	12,999,232
North Carolina	2,250,175	-4,768	0	0	2,245,408
Puerto Rico	11,940	0	0	0	11,940
South Carolina	4,669,329	-12,762	0	0	4,656,567
Tennessee	9,927,199	15,052	0	0	9,942,251
Virgin Islands	0	0	0	0	0
Virginia	1,017,555	-1,338	0	0	1,016,217
SOUTHEAST AREA	69,980,968	49,322	0	0	70,030,290
Alaska	508,827	0	0	0	508,827
Idaho	19,058,024	73,120	0	0	19,131,144
Montana	27,194,158	164,118	0	0	27,358,276
Nebraska	34,058,544	249,320	0	0	34,307,864
North Dakota	20,606,184	162,687	0	0	20,768,871
Oregon	15,702,230	150,583	0	0	15,852,813
South Dakota	14,040,908	69,317	0	0	14,110,225
Washington	23,327,540	225,970	0	0	23,553,511
Wyoming	3,992,643	46,412	0	0	4,039,055
NORTHWEST AREA	158,489,057	1,141,528	0	0	159,630,586
Arizona	0	0	0	0	0
California	4,617,154	-67,844	0	0	4,549,309
Colorado	37,930,435	210,999	0	0	38,141,435
Hawaii	0	0	0	0	0
Kansas	44,938,937	270,999	0	0	45,209,936
Nevada	0	0	0	0	0
New Mexico	12,576,631	30,060	0	0	12,606,691
Oklahoma	19,235,973	163,210	0	0	19,399,183
Texas	70,210,680	354,183	0	0	70,564,862
Utah	5,860,473	73,528	0	0	5,934,001
SOUTHWEST AREA	195,370,282	1,035,135	0	0	196,405,417
TOTAL AREAS	669,520,942	2,792,234	0	0	672,313,177
SCS T/A	0	0	0	0	0
FS T/A	0	0	0	0	0
ES T/A	0	0	0	0	0
undistributed	0	-10,467	0	0	-10,467
TOTAL PROGRAM	669,520,942	2,781,768	0	0	672,302,710

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State	No. Farms & Contracts	Acres Accepted	Contract Amount: Annual Rental	Estimated Cost-Share	Total
Connecticut	0	10	500	2,662	3,162
Delaware	12	297	15,792	12,627	28,419
Maine	315	13,996	695,986	897,977	1,593,963
Maryland	152	3,921	245,294	235,731	481,025
Massachusetts	0	0	0	0	0
New Hampshire	0	0	0	0	0
New Jersey	4	129	7,178	10,789	17,967
New York	487	16,353	922,797	763,781	1,686,578
Pennsylvania	653	23,999	1,483,183	624,233	2,107,416
Rhode Island	0	0	0	0	0
Vermont	0	0	0	0	0
West Virginia	10	205	10,235	2,790	13,025
NORTHEAST AREA	1,633	58,910	3,380,965	2,550,590	5,931,555
Illinois	3,243	116,495	8,402,326	3,566,666	11,968,992
Indiana	1,947	67,910	4,646,180	2,828,062	7,474,242
Iowa	4,790	238,673	18,682,387	6,666,092	25,348,479
Michigan	1,400	54,812	3,181,726	1,050,680	4,232,406
Minnesota	5,118	341,002	18,352,758	9,074,595	27,427,353
Missouri	5,669	392,979	25,267,848	10,696,092	35,963,940
Ohio	1,207	43,452	2,642,714	1,449,679	4,092,393
Wisconsin	5,367	173,317	11,715,158	3,019,160	14,734,318
MIDWEST AREA	28,741	1,428,640	92,891,097	38,351,026	131,242,123
Alabama	2,620	116,096	5,084,190	3,588,658	8,672,848
Arkansas	788	53,395	2,621,898	1,669,218	4,291,116
Florida	693	36,625	1,583,792	735,515	2,319,307
Georgia	4,067	176,741	7,739,486	4,902,560	12,642,046
Kentucky	1,478	74,011	4,405,643	2,055,452	6,461,095
Louisiana	457	34,679	1,537,403	698,098	2,235,501
Mississippi	2,771	146,491	6,394,441	3,444,926	9,839,367
North Carolina	1,828	40,631	1,867,941	1,309,459	3,177,400
Puerto Rico	2	152	9,060	0	9,060
South Carolina	1,686	60,342	2,630,241	1,359,055	3,989,296
Tennessee	2,291	94,466	4,966,375	3,295,143	8,261,518
Virgin Islands	0	0	0	0	0
Virginia	951	23,091	1,163,128	613,746	1,776,874
SOUTHEAST AREA	19,632	856,720	40,003,598	23,671,830	63,675,428
Alaska	7	3,990	147,499	299,335	446,834
Idaho	935	174,757	8,216,511	5,036,656	13,253,167
Montana	2,839	1,044,571	39,831,895	17,270,318	57,102,213
Nebraska	3,281	315,314	16,802,776	8,521,924	25,324,700
North Dakota	5,627	984,459	38,298,623	24,231,172	62,529,795
Oregon	477	96,329	4,740,666	2,405,426	7,146,092
South Dakota	2,794	481,846	19,389,182	10,683,304	30,072,486
Washington	1,282	283,190	14,386,248	8,428,100	22,814,348
Wyoming	295	93,128	3,647,095	2,016,570	5,663,665
NORTHWEST AREA	17,537	3,477,584	145,460,495	78,892,805	224,353,300
Arizona	0	0	0	0	0
California	119	32,509	1,600,957	467,426	2,068,383
Colorado	1,220	322,691	13,806,999	13,517,639	27,324,638
Hawaii	0	0	0	0	0
Kansas	10,142	1,054,646	55,839,611	33,778,333	89,617,944
Nevada	5	2,072	82,900	34,858	117,758
New Mexico	144	37,939	1,504,475	1,263,881	2,768,356
Oklahoma	2,765	365,116	15,726,347	9,158,011	24,884,358
Texas	5,350	1,073,694	42,825,261	43,273,236	86,098,497
Utah	247	45,944	1,787,500	780,368	2,567,868
SOUTHWEST AREA	19,992	2,934,611	133,174,050	102,273,752	235,447,802
TOTAL AREAS	87,535	8,756,465	414,910,205	245,740,003	660,650,208
SCS T/A	0	0	0	0	0
FS T/A	0	0	0	0	0
ES T/A	0	0	0	0	0
undistributed	0	0	0	0	0
TOTAL PROGRAM	87,535	8,756,465	414,910,205	245,740,003	660,650,208

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State	Payments: Cash Rental	Cost Share	Technical Assistance	Liq. Payments	Total
Connecticut	0	0	0	0	0
Delaware	11,514	0	0	0	11,514
Maine	662,212	91	0	0	662,303
Maryland	218,800	3,434	0	0	222,234
Massachusetts	0	0	0	0	0
New Jersey	5,503	0	0	0	5,503
New York	830,824	-6,063	0	0	824,760
Pennsylvania	1,363,290	27	0	0	1,363,318
Rhode Island	0	0	0	0	0
Vermont	1,100	0	0	0	1,100
West Virginia	10,160	0	0	0	10,160
NORTHEAST AREA	3,103,403	-2,511	0	0	3,100,892
Illinois	8,069,745	32,531	0	0	8,102,276
Indiana	4,453,324	3,918	0	0	4,457,242
Iowa	18,272,241	26,999	0	0	18,299,240
Michigan	3,061,320	3,574	0	0	3,064,894
Minnesota	17,066,893	64,101	0	0	17,130,994
Missouri	24,909,024	177,096	0	0	25,086,121
Ohio	2,400,420	3,011	0	0	2,403,431
Wisconsin	11,085,739	-4,096	0	0	11,081,643
MIDWEST AREA	89,318,707	307,134	0	0	89,625,841
Alabama	4,833,423	10,162	0	0	4,843,586
Arkansas	2,411,392	-1,101	0	0	2,410,291
Florida	1,558,116	555	0	0	1,558,671
Georgia	6,289,549	5,055	0	0	6,294,605
Kentucky	4,223,781	-3,579	0	0	4,220,203
Louisiana	1,472,746	4,631	0	0	1,477,377
Mississippi	6,056,625	17,653	0	0	6,074,278
North Carolina	1,740,897	-4,631	0	0	1,736,266
Puerto Rico	9,060	0	0	0	9,060
South Carolina	2,505,588	-651	0	0	2,504,937
Tennessee	4,686,589	2,579	0	0	4,689,168
Virgin Islands	0	0	0	0	0
Virginia	1,115,664	-822	0	0	1,114,842
SOUTHEAST AREA	36,903,430	29,852	0	0	36,933,282
Alaska	308,443	0	0	0	308,443
Idaho	7,867,387	78,334	0	0	7,945,721
Montana	38,809,440	108,549	0	0	38,917,989
Nebraska	16,456,950	108,355	0	0	16,565,305
North Dakota	36,719,712	320,904	0	0	37,040,617
Oregon	4,758,941	27,942	0	0	4,786,883
South Dakota	19,036,676	137,524	0	0	19,174,199
Washington	14,670,823	187,953	0	0	14,858,776
Wyoming	3,676,464	58,769	0	0	3,735,233
NORTHWEST AREA	142,304,836	1,028,330	0	0	143,333,166
Arizona	1,312	0	0	0	1,312
California	1,554,315	11,542	0	0	1,565,857
Colorado	13,306,191	42,688	0	0	13,348,880
Hawaii	0	0	0	0	0
Kansas	54,686,686	232,673	0	0	54,919,359
Nevada	71,060	3,975	0	0	75,035
New Mexico	1,509,421	5,824	0	0	1,515,245
Oklahoma	15,458,074	122,762	0	0	15,580,835
Texas	41,705,715	335,331	0	0	42,041,045
Utah	1,698,387	68,202	0	0	1,766,589
SOUTHWEST AREA	129,991,161	822,996	0	0	130,814,158
TOTAL AREAS	401,621,537	2,185,802	0	0	403,807,339
SCS T/A	0	0	0	0	0
FS T/A	0	0	0	0	0
ES T/A	0	0	0	0	0
undistributed	0	-4,009	0	0	-4,009
TOTAL PROGRAM	401,621,537	2,181,793	0	0	403,803,330

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State	No. Farms & Contracts	Acres Accepted	Contract Amount: Annual Rental	Contract Amount: Estimated Cost-Share	Contract Amount: Total
Connecticut	0	0	0	0	0
Delaware	7	413	30,026	21,554	51,580
Maine	193	7,292	364,065	280,107	644,172
Maryland	205	5,132	385,811	223,674	609,485
Massachusetts	3	7	345	145	490
New Hampshire	0	0	0	0	0
New Jersey	5	132	6,314	8,389	14,703
New York	248	9,052	518,397	232,788	751,185
Pennsylvania	509	20,515	1,410,994	487,197	1,898,191
Rhode Island	0	0	0	0	0
Vermont	1	3	155	103	258
West Virginia	6	78	4,090	1,781	5,871
NORTHEAST AREA	1,177	42,624	2,720,197	1,255,738	3,975,935
Illinois	3,662	145,948	11,775,554	3,544,543	15,320,097
Indiana	2,492	93,289	7,544,248	2,948,814	10,493,062
Iowa	5,565	282,883	26,329,913	6,543,209	32,873,122
Michigan	1,204	44,665	2,677,255	592,095	3,269,350
Minnesota	3,427	220,812	11,724,704	4,359,044	16,083,748
Missouri	2,671	155,044	9,990,373	3,116,708	13,107,081
Ohio	1,392	57,520	4,360,889	1,388,881	5,749,770
Wisconsin	3,186	107,548	7,460,115	1,382,361	8,842,476
MIDWEST AREA	23,599	1,107,709	81,863,051	23,875,655	105,738,706
Alabama	1,556	72,993	3,253,025	1,885,089	5,138,114
Arkansas	643	48,964	2,430,910	1,167,726	3,598,636
Florida	440	24,479	1,038,238	423,389	1,461,627
Georgia	3,094	159,959	7,107,398	3,363,555	10,470,953
Kentucky	793	40,258	2,435,548	800,821	3,236,369
Louisiana	361	27,642	1,236,970	579,157	1,816,127
Mississippi	1,971	105,212	4,650,388	1,808,721	6,459,109
North Carolina	1,292	23,058	1,074,670	488,806	1,563,476
Puerto Rico	1	60	3,600	1,725	5,325
South Carolina	1,219	47,454	2,106,623	795,868	2,902,491
Tennessee	1,424	57,468	3,038,456	16,739,897	19,778,353
Virgin Islands	0	0	0	0	0
Virginia	673	16,498	961,354	370,806	1,332,160
SOUTHEAST AREA	13,467	624,045	29,337,180	28,425,560	57,762,740
Alaska	1	138	4,833	4,368	9,201
Idaho	468	93,116	4,410,084	2,070,175	6,480,259
Montana	1,567	521,287	19,825,010	6,826,788	26,651,798
Nebraska	2,326	191,269	10,920,906	3,602,317	14,523,223
North Dakota	5,003	794,086	30,476,657	14,897,940	45,374,597
Oregon	151	22,192	1,115,443	468,824	1,584,267
South Dakota	3,082	503,290	20,912,896	7,413,245	28,326,141
Washington	438	73,708	3,818,395	1,760,078	5,578,473
Wyoming	79	22,401	875,148	338,210	1,213,358
NORTHWEST AREA	13,115	2,221,487	92,359,372	37,381,945	129,741,317
Arizona	0	0	0	0	0
California	67	18,940	943,097	173,395	1,116,492
Colorado	610	158,965	6,781,046	4,676,355	11,457,401
Hawaii	0	0	0	0	0
Kansas	5,362	427,889	22,933,802	11,333,542	34,267,344
Nevada	2	324	12,960	3,682	16,642
New Mexico	62	14,880	589,330	321,002	910,332
Oklahoma	1,287	148,640	6,448,618	2,964,039	9,412,657
Texas	3,107	575,591	23,010,433	16,739,897	39,750,330
Utah	95	13,555	546,335	186,192	732,527
SOUTHWEST AREA	10,592	1,358,784	61,265,621	36,398,104	97,663,725
TOTAL AREAS	61,950	5,354,649	267,545,421	127,337,002	394,882,423
SCS T/A	0	0	0	0	0
FS T/A	0	0	0	0	0
ES T/A	0	0	0	0	0
undistributed	0	0	0	0	0
TOTAL PROGRAM	61,950	5,354,649	267,545,421	127,337,002	394,882,423

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State	Payments				
	Cash Rental	Cost Share	Technical Assistance	Liq. Payments	Total
Connecticut	0	0	0	0	0
Delaware	29,890	0	0	0	29,890
Maine	324,143	0	0	0	324,143
Maryland	370,454	-191	0	0	370,263
Massachusetts	345	0	0	0	345
New Jersey	6,314	0	0	0	6,314
New York	465,353	29	0	0	465,382
Pennsylvania	1,293,814	4,189	0	0	1,298,003
Rhode Island	0	0	0	0	0
Vermont	0	0	0	0	0
West Virginia	3,415	0	0	0	3,415
NORTHEAST AREA	2,493,728	4,027	0	0	2,497,755
Illinois	11,319,826	120,843	0	0	11,440,668
Indiana	7,521,400	9,888	0	0	7,531,288
Iowa	26,574,819	108,853	0	0	26,683,673
Michigan	2,807,790	16,169	0	0	2,823,959
Minnesota	10,321,755	93,260	0	0	10,415,015
Missouri	9,635,365	77,055	0	0	9,712,420
Ohio	4,289,371	21,444	0	0	4,310,815
Wisconsin	6,961,491	43,604	0	0	7,005,095
MIDWEST AREA	79,431,818	491,115	0	0	79,922,932
Alabama	3,216,687	66,900	0	0	3,283,587
Arkansas	2,191,004	46,023	0	0	2,237,027
Florida	956,440	395	0	0	956,835
Georgia	5,341,102	27,228	0	0	5,368,330
Kentucky	2,214,782	-4,831	0	0	2,209,952
Louisiana	1,283,596	119,346	0	0	1,402,942
Mississippi	4,485,868	72,982	0	0	4,558,850
North Carolina	1,000,461	2,557	0	0	1,003,018
Puerto Rico	3,600	0	0	0	3,600
South Carolina	2,023,979	20,295	0	0	2,044,274
Tennessee	2,875,557	-2,311	0	0	2,873,246
Virgin Islands	0	0	0	0	0
Virginia	890,115	-775	0	0	889,340
SOUTHEAST AREA	26,483,192	347,809	0	0	26,831,001
Alaska	7,572	0	0	0	7,572
Idaho	3,982,413	41,828	0	0	4,024,241
Montana	19,395,861	122,875	0	0	19,518,736
Nebraska	10,340,701	75,841	0	0	10,416,542
North Dakota	26,926,299	363,066	0	0	27,289,366
Oregon	1,123,892	37,535	0	0	1,161,427
South Dakota	17,106,989	163,824	0	0	17,270,814
Washington	3,662,383	39,456	0	0	3,701,839
Wyoming	849,789	4,514	0	0	854,303
NORTHWEST AREA	83,395,900	848,939	0	0	84,244,839
Arizona	0	0	0	0	0
California	886,168	32,065	0	0	918,233
Colorado	6,498,416	60,224	0	0	6,558,640
Hawaii	0	0	0	0	0
Kansas	22,131,902	124,942	0	0	22,256,844
Nevada	12,960	0	0	0	12,960
New Mexico	591,133	66,616	0	0	657,749
Oklahoma	6,173,273	72,582	0	0	6,245,855
Texas	22,275,458	370,609	0	0	22,646,068
Utah	526,946	10,376	0	0	537,322
SOUTHWEST AREA	59,096,257	737,414	0	0	59,833,671
TOTAL AREAS	250,900,894	2,429,305	0	0	253,330,199
SCS T/A	0	0	0	0	0
FS T/A	0	0	0	0	0
ES T/A	0	0	0	0	0
undistributed	0	0	0	0	0
TOTAL PROGRAM	250,900,894	2,429,305	0	0	253,330,199

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State	No. Farms & Contracts	Acres Accepted	Contract Amount: Annual Rental	Contract Amount: Estimated Cost-Share	Contract Amount: Total
Connecticut	0	0	0	0	0
Delaware	6	119	9,216	4,230	13,446
Maine	28	1,426	71,297	48,115	119,412
Maryland	109	4,246	352,423	184,052	536,475
Massachusetts	0	0	0	0	0
New Hampshire	0	0	0	0	0
New Jersey	7	165	9,798	4,532	14,330
New York	88	3,463	195,290	109,680	304,970
Pennsylvania	270	12,095	850,840	280,893	1,131,733
Rhode Island	0	0	0	0	0
Vermont	0	0	0	0	0
West Virginia	2	14	858	175	1,033
NORTHEAST AREA	510	21,528	1,489,722	631,677	2,121,399
Illinois	2,300	98,025	8,518,597	2,823,477	11,342,074
Indiana	1,213	54,209	4,435,556	1,991,416	6,426,972
Iowa	3,645	194,318	18,539,239	5,304,574	23,843,813
Michigan	575	24,505	1,584,029	362,216	1,946,245
Minnesota	1,914	125,970	6,783,306	2,912,583	9,695,889
Missouri	1,146	73,439	4,754,359	1,716,611	6,470,970
Ohio	1,035	48,932	3,873,159	1,485,455	5,358,614
Wisconsin	2,493	89,947	6,220,411	1,243,293	7,463,704
MIDWEST AREA	14,321	709,345	54,708,656	17,839,625	72,548,281
Alabama	390	19,664	880,991	662,814	1,543,805
Arkansas	283	28,879	1,437,576	820,201	2,257,777
Florida	181	10,175	448,332	238,286	686,618
Georgia	1,161	63,779	2,861,358	1,797,780	4,659,138
Kentucky	333	18,673	1,134,516	474,929	1,609,445
Louisiana	180	25,085	1,125,582	658,818	1,784,400
Mississippi	966	79,078	3,528,092	1,868,415	5,396,507
North Carolina	458	11,229	529,378	305,385	834,763
Puerto Rico	0	0	0	0	0
South Carolina	569	23,407	1,046,992	496,355	1,543,347
Tennessee	461	23,670	1,275,601	727,236	2,002,837
Virgin Islands	0	0	0	0	0
Virginia	236	7,535	465,851	216,402	682,253
SOUTHEAST AREA	5,218	311,174	14,734,269	8,266,621	23,000,890
Alaska	4	674	24,675	44,590	69,265
Idaho	250	45,789	2,211,753	1,086,065	3,297,818
Montana	896	335,045	12,598,388	5,145,929	17,744,317
Nebraska	1,621	146,834	8,408,833	3,475,289	11,884,122
North Dakota	3,813	727,385	28,380,904	15,374,471	43,755,375
Oregon	50	7,877	400,384	186,676	587,060
South Dakota	3,308	691,756	30,532,964	11,626,277	42,159,241
Washington	273	80,367	4,094,330	2,250,836	6,345,166
Wyoming	79	25,658	962,148	321,014	1,283,162
NORTHWEST AREA	10,294	2,061,385	87,614,379	39,511,147	127,125,526
Arizona	0	0	0	0	0
California	22	7,280	363,398	28,257	391,655
Colorado	587	160,278	6,948,451	5,474,226	12,422,677
Hawaii	0	0	0	0	0
Kansas	4,496	401,168	21,738,897	13,018,831	34,757,728
Nevada	3	727	29,080	13,125	42,205
New Mexico	11	2,383	94,954	73,194	168,148
Oklahoma	881	117,028	5,041,177	2,780,066	7,821,243
Texas	1,617	303,611	12,140,447	10,258,914	22,399,361
Utah	21	2,866	117,319	50,317	167,636
SOUTHWEST AREA	7,638	995,341	46,473,723	31,696,930	78,170,653
TOTAL AREAS	37,981	4,098,773	205,020,749	97,946,000	302,966,749
SCS T/A	0	0	0	0	0
FS T/A	0	0	0	0	0
ES T/A	0	0	0	0	0
Undistributed	0	0	0	0	0
TOTAL PROGRAM	37,981	4,098,773	205,020,749	97,946,000	302,966,749

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State	Payments: Cash Rental	Cost Share	Technical Assistance	Liq. Payments	Total
Connecticut	0	0	0	0	0
Delaware	9,217	0	0	0	9,217
Maine	71,199	1,088	0	0	72,287
Maryland	349,255	2,509	0	0	351,764
Massachusetts	0	0	0	0	0
New Jersey	9,798	0	0	0	9,798
New York	173,097	1,724	0	0	174,821
Pennsylvania	808,027	3,802	0	0	811,829
Rhode Island	0	0	0	0	0
Vermont	0	0	0	0	0
West Virginia	858	0	0	0	858
NORTHEAST AREA	1,421,451	9,123	0	0	1,430,574
Illinois	8,148,206	118,594	0	0	8,266,800
Indiana	4,321,874	24,768	0	0	4,346,642
Iowa	18,094,305	135,664	0	0	18,229,969
Michigan	1,555,754	12,710	0	0	1,568,464
Minnesota	5,691,676	82,235	0	0	5,773,911
Missouri	4,589,157	83,731	0	0	4,672,887
Ohio	3,775,050	73,791	0	0	3,848,841
Wisconsin	5,851,433	91,656	0	0	5,943,089
MIDWEST AREA	52,027,454	623,148	0	0	52,650,602
Alabama	816,852	7,235	0	0	824,087
Arkansas	1,385,187	91,462	0	0	1,476,649
Florida	444,561	-1,515	0	0	443,046
Georgia	2,434,941	42,799	0	0	2,477,739
Kentucky	1,093,391	3,691	0	0	1,097,081
Louisiana	1,167,545	85,396	0	0	1,252,941
Mississippi	3,376,632	176,813	0	0	3,553,445
North Carolina	537,223	13,374	0	0	550,596
Puerto Rico	0	0	0	0	0
South Carolina	966,762	10,870	0	0	977,632
Tennessee	1,197,596	21,034	0	0	1,218,629
Virgin Islands	0	0	0	0	0
Virginia	442,006	140	0	0	442,146
SOUTHEAST AREA	13,862,694	451,297	0	0	14,313,991
Alaska	0	0	0	0	0
Idaho	2,153,970	92,388	0	0	2,246,358
Montana	12,766,390	114,154	0	0	12,880,544
Nebraska	8,042,633	156,190	0	0	8,198,823
North Dakota	22,669,486	203,582	0	0	22,873,068
Oregon	446,698	7,462	0	0	454,160
South Dakota	19,678,350	364,791	0	0	20,043,141
Washington	4,016,657	104,021	0	0	4,120,678
Wyoming	918,635	2,219	0	0	920,854
NORTHWEST AREA	70,692,819	1,044,807	0	0	71,737,626
Arizona	0	0	0	0	0
California	315,795	0	0	0	315,795
Colorado	6,805,157	212,957	0	0	7,018,114
Hawaii	0	0	0	0	0
Kansas	21,525,071	466,516	0	0	21,991,587
Nevada	29,080	0	0	0	29,080
New Mexico	85,307	7,252	0	0	92,559
Oklahoma	4,958,941	52,858	0	0	5,011,799
Texas	11,781,297	389,210	0	0	12,170,506
Utah	108,004	1,725	0	0	109,729
SOUTHWEST AREA	45,608,652	1,130,518	0	0	46,739,170
TOTAL AREAS	183,613,071	3,258,892	0	0	186,871,963
SCS T/A	0	0	0	0	0
FS T/A	0	0	0	0	0
ES T/A	0	0	0	0	0
undistributed	0	0	0	0	0
TOTAL PROGRAM	183,613,071	3,258,892	0	0	186,871,963

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State	No. Farms & Contracts	Acres Accepted	Contract Amount: Annual Rental	Contract Amount: Estimated Cost-Share	Contract Amount: Total
Connecticut	0	0	0	0	0
Delaware	1	11	650	363	1,013
Maine	9	278	13,833	9,174	23,007
Maryland	61	1,575	117,647	51,975	169,622
Massachusetts	0	0	0	0	0
New Hampshire	0	0	0	0	0
New Jersey	0	0	0	0	0
New York	57	3,038	130,079	100,254	230,333
Pennsylvania	60	1,952	112,123	64,416	176,539
Rhode Island	0	0	0	0	0
Vermont	0	0	0	0	0
West Virginia	0	0	0	0	0
NORTHEAST AREA	188	6,854	374,332	226,182	600,514
Illinois	863	28,403	2,123,789	937,299	3,061,088
Indiana	476	14,917	1,132,028	492,261	1,624,289
Iowa	929	37,222	3,085,669	1,228,326	4,313,995
Michigan	414	17,792	1,007,401	587,136	1,594,537
Minnesota	418	20,230	966,025	667,590	1,633,615
Missouri	521	32,867	2,053,103	1,084,611	3,137,714
Ohio	504	19,267	1,370,074	635,811	2,005,885
Wisconsin	978	31,770	1,934,025	1,048,410	2,982,435
MIDWEST AREA	5,103	202,468	13,672,114	6,681,444	20,353,558
Alabama	343	16,487	731,214	544,071	1,275,285
Arkansas	103	9,144	431,194	301,752	732,946
Florida	66	2,338	95,989	77,154	173,143
Georgia	237	11,395	492,071	376,035	868,106
Kentucky	161	6,761	395,201	223,113	618,314
Louisiana	74	4,782	206,957	157,806	364,763
Mississippi	548	33,070	1,450,514	1,091,310	2,541,824
North Carolina	168	3,103	137,626	102,399	240,025
Puerto Rico	1	15	1,125	495	1,620
South Carolina	77	2,563	100,304	84,579	184,883
Tennessee	280	10,856	550,071	358,248	908,319
Virgin Islands	0	0	0	0	0
Virginia	80	1,399	77,999	46,167	124,166
SOUTHEAST AREA	2,138	101,913	4,670,265	3,363,129	8,033,394
Alaska	1	647	23,893	21,351	45,244
Idaho	82	19,551	880,124	645,183	1,525,307
Montana	132	49,167	1,736,240	1,622,511	3,358,751
Nebraska	290	10,521	645,647	347,193	992,840
North Dakota	83	13,799	463,578	455,367	918,945
Oregon	10	2,736	125,063	90,288	215,351
South Dakota	88	4,210	162,421	138,930	301,351
Washington	60	8,236	429,393	271,788	701,181
Wyoming	0	0	0	0	0
NORTHWEST AREA	746	108,867	4,466,359	3,592,611	8,058,970
Arizona	0	0	0	0	0
California	0	0	0	0	0
Colorado	16	1,556	56,718	51,348	108,066
Hawaii	0	0	0	0	0
Kansas	135	8,812	459,392	290,796	750,188
Nevada	0	0	0	0	0
New Mexico	1	29	941	957	1,898
Oklahoma	49	5,647	237,958	186,351	424,309
Texas	225	39,029	1,561,467	1,287,957	2,849,424
Utah	0	0	0	0	0
SOUTHWEST AREA	426	55,073	2,316,476	1,817,409	4,133,885
TOTAL AREAS	8,601	475,175	25,499,546	15,680,775	41,180,321
SCS T/A	0	0	0	0	0
FS T/A	0	0	0	0	0
ES T/A	0	0	0	0	0
undistributed	0	0	0	0	0
TOTAL PROGRAM	8,601	475,175	25,499,546	15,680,775	41,180,321

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State	Payments: Cash Rental	Cost Share	Technical Assistance	Liq. Payments	Total
Connecticut	0	0	0	0	0
Delaware	650	-34	0	0	616
Maine	11,987	5,010	0	0	16,997
Maryland	116,168	123,552	2,542	0	242,262
Massachusetts	0	0	0	0	0
New Jersey	0	0	0	0	0
New York	129,556	34,269	0	0	163,825
Pennsylvania	113,537	4,276	145	0	117,958
Rhode Island	0	0	0	0	0
Vermont	0	750	0	0	750
West Virginia	0	0	0	0	0
NORTHEAST AREA	371,898	167,823	2,687	0	542,407
Illinois	2,076,837	529,897	16,046	0	2,622,780
Indiana	1,131,661	226,389	2,066	0	1,360,116
Iowa	3,032,589	426,210	46,970	0	3,505,769
Michigan	1,081,715	195,072	432	0	1,277,219
Minnesota	927,497	155,087	12,859	0	1,095,444
Missouri	2,045,432	566,395	1,388	0	2,613,215
Ohio	1,391,159	321,410	460	0	1,713,029
Wisconsin	1,897,586	408,090	5,783	0	2,311,458
MIDWEST AREA	13,584,476	2,828,551	86,003	0	16,499,030
Alabama	731,044	705,400	240	0	1,436,684
Arkansas	412,606	395,935	0	0	808,541
Florida	95,986	53,765	0	0	149,751
Georgia	484,187	366,656	1,217	0	852,059
Kentucky	444,106	144,315	41	0	588,461
Louisiana	212,248	133,642	759	0	346,649
Mississippi	1,428,880	779,152	4,609	0	2,212,641
North Carolina	131,281	101,244	0	0	232,525
Puerto Rico	1,125	0	0	0	1,125
South Carolina	82,141	49,015	2,684	0	133,840
Tennessee	535,897	294,678	2,033	0	832,608
Virgin Islands	0	0	0	0	0
Virginia	78,210	46,627	227	0	125,064
SOUTHEAST AREA	4,637,710	3,070,428	11,808	0	7,719,947
Alaska	30,893	0	0	0	30,893
Idaho	877,867	75,611	373	0	953,851
Montana	1,683,035	163,054	892	0	1,846,981
Nebraska	592,039	129,277	11,351	0	732,667
North Dakota	441,684	50,806	1,176	0	493,667
Oregon	121,265	47,938	135	0	169,338
South Dakota	154,315	62,110	8,856	0	225,281
Washington	427,791	148,343	0	0	576,134
Wyoming	0	18,198	0	0	18,198
NORTHWEST AREA	4,328,888	695,337	22,784	0	5,047,009
Arizona	0	0	0	0	0
California	0	0	0	0	0
Colorado	52,769	31,217	0	0	83,986
Hawaii	47,360	0	0	0	47,360
Kansas	435,950	113,420	7,656	0	557,025
Nevada	0	0	0	0	0
New Mexico	941	13,857	0	0	14,798
Oklahoma	215,189	64,996	346	0	280,531
Texas	1,661,438	592,338	730	0	2,254,506
Utah	0	287	0	0	287
SOUTHWEST AREA	2,413,847	816,115	8,731	0	3,238,493
TOTAL AREAS	25,336,619	7,578,254	132,012 1/	0	33,046,885
SCS T/A 2/	0	0	4,136,925	0	4,136,925
FS T/A 3/	0	0	677,113	0	677,113
ES T/A	0	0	0	0	0
undistributed	0	0	0	0	0
TOTAL PROGRAM	25,336,619	7,578,254	4,946,050	0	37,760,923

1/ Represents technical assistance for establishment of long term easements
2/ Includes expenditure of $4,521,725 for SCS FY 1991 technical assistance that was paid in FY 1992. Also includes a refund of $384,800 from SCS for overpayment of tenth signup technical assistance
3/ Includes expenditure of $686,829 for FS FY 1991 technical assistance that was paid in FY 1992. Also includes a refund of $109,816 from FS for overpayment of tenth signup technical assistance

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State	No. Farms & Contracts	Acres Accepted	Contract Amount: Annual Rental	Contract Amount: Estimated Cost-Share	Contract Amount: Total
Connecticut	0	0	0	0	0
Delaware	0	0	0	0	0
Maine	14	716	38,731	23,628	62,359
Maryland	53	1,808	147,774	59,664	207,438
Massachusetts	0	0	0	0	0
New Hampshire	0	0	0	0	0
New Jersey	0	0	0	0	0
New York	73	3,213	148,693	106,029	254,722
Pennsylvania	93	3,722	225,305	122,826	348,131
Rhode Island	0	0	0	0	0
Vermont	1	6	300	198	498
West Virginia	0	0	0	0	0
NORTHEAST AREA	234	9,465	560,803	312,345	873,148
Illinois	1,729	72,505	5,916,869	2,392,665	8,309,534
Indiana	849	40,551	3,246,658	1,338,183	4,584,841
Iowa	1,895	100,490	8,989,896	3,316,170	12,306,066
Michigan	831	41,822	2,478,661	1,380,126	3,858,787
Minnesota	737	48,487	2,569,667	1,600,071	4,169,738
Missouri	1,202	87,992	5,758,713	2,903,736	8,662,449
Ohio	1,018	51,102	4,001,611	1,686,366	5,687,977
Wisconsin	1,434	56,459	3,507,944	1,863,147	5,371,091
MIDWEST AREA	9,695	499,408	36,470,019	16,480,464	52,950,483
Alabama	276	14,601	668,292	481,833	1,150,125
Arkansas	156	11,462	540,985	378,246	919,231
Florida	70	3,971	161,512	131,043	292,555
Georgia	276	14,476	616,586	477,708	1,094,294
Kentucky	189	10,659	671,311	351,747	1,023,058
Louisiana	67	4,524	207,104	149,292	356,396
Mississippi	542	40,103	1,876,984	1,323,399	3,200,383
North Carolina	182	5,621	254,832	185,493	440,325
Puerto Rico	0	0	0	0	0
South Carolina	113	4,042	159,742	133,386	293,128
Tennessee	327	18,028	940,218	594,924	1,535,142
Virgin Islands	0	0	0	0	0
Virginia	84	1,886	100,489	62,238	162,727
SOUTHEAST AREA	2,282	129,373	6,198,055	4,269,309	10,467,364
Alaska	0	0	0	0	0
Idaho	175	35,521	1,764,721	1,172,193	2,936,914
Montana	109	45,731	1,535,644	1,509,123	3,044,767
Nebraska	380	36,301	2,036,763	1,197,933	3,234,696
North Dakota	146	18,990	636,640	626,670	1,263,310
Oregon	28	8,126	395,531	268,158	663,689
South Dakota	125	10,828	440,294	357,324	797,618
Washington	171	33,563	1,890,086	1,107,579	2,997,665
Wyoming	0	0	0	0	0
NORTHWEST AREA	1,134	189,060	8,699,679	6,238,980	14,938,659
Arizona	0	0	0	0	0
California	15	4,068	197,178	134,244	331,422
Colorado	51	14,157	517,226	467,181	984,407
Hawaii	0	0	0	0	0
Kansas	574	40,867	2,187,921	1,348,611	3,536,532
Nevada	0	0	0	0	0
New Mexico	3	1,881	63,300	62,073	125,373
Oklahoma	194	22,102	941,575	729,366	1,670,941
Texas	540	86,577	3,387,896	2,856,942	6,244,838
Utah	8	1,253	40,975	41,349	82,324
SOUTHWEST AREA	1,385	170,905	7,336,071	5,639,766	12,975,837
TOTAL AREAS	14,730	998,211	59,264,627	32,940,864	92,205,491
SCS T/A	0	0	0	0	0
FS T/A	0	0	0	0	0
ES T/A	0	0	0	0	0
undistributed	0	0	0	0	0
TOTAL PROGRAM	14,730	998,211	59,264,627	32,940,864	92,205,491

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State	Payments: Cash Rental	Cost Share	Technical Assistance	Liq. Payments	Total
Connecticut	0	0	0	0	0
Delaware	0	0	0	0	0
Maine	0	31.402	0	0	31.402
Maryland	0	149.577	523	0	150.100
Massachusetts	0	0	0	0	0
New Jersey	0	0	0	0	0
New York	0	63.437	0	0	63.437
Pennsylvania	0	77,259	272	0	77,531
Rhode Island	0	0	0	0	0
Vermont	0	0	0	0	0
West Virginia	0	0	0	0	0
NORTHEAST AREA	0	321,675	795	0	322,470
Illinois	0	1,819,771	19,896	0	1,839,667
Indiana	0	964,351	2,712	0	967,063
Iowa	0	2,454,534	40,494	0	2,495,028
Michigan	0	631,377	906	0	632,283
Minnesota	0	782,272	10,476	0	792,748
Missouri	0	1,859,440	1,443	0	1,860,883
Ohio	0	1,197,621	2,353	0	1,199,974
Wisconsin	0	1,024,545	8,023	0	1,032,569
MIDWEST AREA	0	10,733,911	86,303	0	10,820,214
Alabama	0	636,457	89	0	636,546
Arkansas	0	461,294	2,872	0	464,166
Florida	0	128,078	0	0	128,078
Georgia	0	515,681	3,448	0	519,129
Kentucky	0	175,668	287	0	175,955
Louisiana	0	162,864	5,202	0	168,066
Mississippi	0	971,496	2,879	0	974,375
North Carolina	0	218,617	1,244	0	219,861
Puerto Rico	0	0	0	0	0
South Carolina	0	68,458	8,724	0	77,182
Tennessee	0	521,481	509	0	521,990
Virgin Islands	0	0	0	0	0
Virginia	0	52,118	0	0	52,118
SOUTHEAST AREA	0	3,912,211	25,254	0	3,937,464
Alaska	0	0	0	0	0
Idaho	0	796,704	137	0	796,841
Montana	0	426,897	1,054	0	427,951
Nebraska	0	618,060	7,118	0	625,178
North Dakota	0	313,896	1,733	0	315,629
Oregon	0	117,472	0	0	117,472
South Dakota	0	202,844	6,425	0	209,269
Washington	0	710,733	1,311	0	712,044
Wyoming	0	64,088	0	0	64,088
NORTHWEST AREA	0	3,250,694	17,778	0	3,268,472
Arizona	0	0	0	0	0
California	0	2,082	2,130	0	4,212
Colorado	0	128,013	0	0	128,013
Hawaii	0	0	0	0	0
Kansas	0	590,104	2,261	0	592,365
Nevada	0	0	0	0	0
New Mexico	0	32,805	0	0	32,805
Oklahoma	0	463,481	1,387	0	464,868
Texas	0	1,426,182	0	0	1,426,182
Utah	0	20,315	0	0	20,315
SOUTHWEST AREA	0	2,662,982	5,778	0	2,668,760
TOTAL AREAS	0	20,881,473	135,907 1/	0	21,017,380
SCS T/A	0	0	5,102,310	0	5,102,310
FS T/A	0	0	448,504	0	448,504
ES T/A	0	0	0	0	0
undistributed	-552,925	0	0	-485,395	-1,038,320
TOTAL PROGRAM	-552,925	20,881,473	5,686,721	-485,395	25,529,875

1/ Represents technical assistance for establishment of long term easements.

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State	No. Farms & Contracts	Acres Accepted	Contract Amount: Annual Rental	Contract Amount: Estimated Cost-Share	Contract Amount: Total
Connecticut	0	0	0	0	0
Delaware	0	0	0	0	0
Maine	8	377	23,785	12,441	36,226
Maryland	50	1,366	86,181	45,078	131,259
Massachusetts	0	0	0	0	0
New Hampshire	0	0	0	0	0
New Jersey	2	62	3,912	2,046	5,958
New York	112	4,492	283,400	148,236	431,636
Pennsylvania	96	3,510	221,446	115,830	337,276
Rhode Island	0	0	0	0	0
Vermont	0	0	0	0	0
West Virginia	1	8	505	264	769
NORTHEAST AREA	269	9,815	619,228	323,895	943,123
Illinois	2,316	82,623	5,212,685	2,726,559	7,939,244
Indiana	1,161	45,701	2,883,276	1,508,133	4,391,409
Iowa	2,341	127,150	8,021,894	4,195,950	12,217,844
Michigan	2,047	86,102	5,432,175	2,841,366	8,273,541
Minnesota	742	33,826	2,134,082	1,116,258	3,250,340
Missouri	1,640	109,399	6,901,983	3,610,167	10,512,150
Ohio	1,230	55,985	3,532,094	1,847,505	5,379,599
Wisconsin	1,692	60,596	3,823,002	1,999,668	5,822,670
MIDWEST AREA	13,169	601,382	37,941,190	19,845,606	57,786,796
Alabama	487	24,786	1,563,749	817,938	2,381,687
Arkansas	240	15,348	968,305	506,484	1,474,789
Florida	140	5,778	364,534	190,674	555,208
Georgia	440	18,926	1,194,041	624,558	1,818,599
Kentucky	401	19,263	1,215,303	635,679	1,850,982
Louisiana	83	3,381	213,307	111,573	324,880
Mississippi	680	43,771	2,761,512	1,444,443	4,205,955
North Carolina	283	5,635	355,512	185,955	541,467
Puerto Rico	0	0	0	0	0
South Carolina	203	6,352	400,748	209,616	610,364
Tennessee	459	19,720	1,244,135	650,760	1,894,895
Virgin Islands	0	0	0	0	0
Virginia	117	2,916	183,970	96,228	280,198
SOUTHEAST AREA	3,533	165,876	10,465,117	5,473,908	15,939,025
Alaska	0	0	0	0	0
Idaho	234	34,778	2,194,144	1,147,674	3,341,818
Montana	236	48,153	3,037,973	1,589,049	4,627,022
Nebraska	487	31,584	1,992,635	1,042,272	3,034,907
North Dakota	141	11,459	722,948	378,147	1,101,095
Oregon	32	3,021	190,595	99,693	290,288
South Dakota	180	23,596	1,488,672	778,668	2,267,340
Washington	290	33,751	2,129,351	1,113,783	3,243,134
Wyoming	2	202	12,744	6,666	19,410
NORTHWEST AREA	1,602	186,544	11,760,061	6,155,952	17,925,013
Arizona	0	0	0	0	0
California	17	1,722	108,641	56,826	165,467
Colorado	65	11,641	734,431	384,153	1,118,584
Hawaii	0	0	0	0	0
Kansas	526	28,827	1,818,695	951,291	2,769,986
Nevada	0	0	0	0	0
New Mexico	3	506	31,924	16,698	48,622
Oklahoma	126	10,714	675,946	353,562	1,029,508
Texas	800	114,985	7,254,404	3,794,505	11,048,909
Utah	6	449	28,327	14,817	43,144
SOUTHWEST AREA	1,548	168,844	10,652,368	5,571,852	16,224,220
TOTAL AREAS	20,121	1,132,461	71,446,964	37,371,213	108,818,177
SCS TA	0	0	0	0	0
FS TA	0	0	0	0	0
ES TA	0	0	0	0	0
undistributed	0	0	0	0	0
TOTAL PROGRAM	20,121	1,132,461	71,446,964	37,371,213	108,818,177

Note: Contract data for the twelfth CRP signup are estimates based on preliminary data.

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State	Payments: Cash Rental	Cost Share	Technical Assistance	Liq. Payments	Total
Connecticut	0	0	0	0	0
Delaware	0	0	0	0	0
Maine	0	0	0	0	0
Maryland	0	0	0	0	0
Massachusetts	0	0	0	0	0
New Jersey	0	0	0	0	0
New York	0	0	0	0	0
Pennsylvania	0	0	0	0	0
Rhode Island	0	0	0	0	0
Vermont	0	0	0	0	0
West Virginia	0	0	0	0	0
NORTHEAST AREA	0	0	0	0	0
Illinois	0	3,576	0	0	3,576
Indiana	0	0	0	0	0
Iowa	0	0	0	0	0
Michigan	0	0	0	0	0
Minnesota	0	743	0	0	743
Missouri	0	9,298	0	0	9,298
Ohio	0	2,733	0	0	2,733
Wisconsin	0	0	0	0	0
MIDWEST AREA	0	16,350	0	0	16,350
Alabama	0	0	0	0	0
Arkansas	0	0	0	0	0
Florida	0	0	0	0	0
Georgia	0	0	0	0	0
Kentucky	0	3,191	0	0	3,191
Louisiana	0	0	0	0	0
Mississippi	0	0	0	0	0
North Carolina	0	4,524	0	0	4,524
Puerto Rico	0	0	0	0	0
South Carolina	0	0	0	0	0
Tennessee	0	10,973	0	0	10,973
Virgin Islands	0	0	0	0	0
Virginia	0	0	0	0	0
SOUTHEAST AREA	0	18,688	0	0	18,688
Alaska	0	0	0	0	0
Idaho	0	0	0	0	0
Montana	0	0	0	0	0
Nebraska	0	0	0	0	0
North Dakota	0	0	0	0	0
Oregon	0	0	0	0	0
South Dakota	0	0	0	0	0
Washington	0	0	0	0	0
Wyoming	0	0	0	0	0
NORTHWEST AREA	0	0	0	0	0
Arizona	0	0	0	0	0
California	0	0	0	0	0
Colorado	0	0	0	0	0
Hawaii	0	0	0	0	0
Kansas	0	0	0	0	0
Nevada	0	0	0	0	0
New Mexico	0	0	0	0	0
Oklahoma	0	0	0	0	0
Texas	0	1,644	0	0	1,644
Utah	0	0	0	0	0
SOUTHWEST AREA	0	1,644	0	0	1,644
TOTAL AREAS	0	36,682	0	0	36,682
SCS T/A	0	0	6,948,950	0	6,948,950
FS T/A	0	0	0	0	0
ES T/A	0	0	0	0	0
undistributed	0	0	0	0	0
TOTAL PROGRAM	0	36,682	6,948,950	0	6,985,632

Acres Enrolled, Base Acres Reduction, Tree Acres, and Erosion Reduced — Table 4
National Summary Through Fiscal Year 1992

State	Acres Enrolled	Base Acres Reduction	Tree Acres	Erosion Reduced (TONS/YEAR)
Connecticut	10	10	10	120
Delaware	995	611	173	7,827
Maine	38,593	6,502	2,567	267,428
Maryland	20,806	10,401	1,704	180,149
Massachusetts	32	21	10	222
New Hampshire	0	0	0	0
New Jersey	722	160	5	10,673
New York	65,349	24,475	3,257	726,777
Pennsylvania	101,649	38,264	2,227	1,603,424
Rhode Island	0	0	0	0
Vermont	193	17	0	2,479
West Virginia	617	250	32	6,000
NORTHEAST AREA	228,966	80,711	9,985	2,805,099
Illinois	817,112	430,735	29,793	14,610,343
Indiana	465,898	234,614	15,231	6,526,083
Iowa	2,235,020	1,299,091	14,495	38,615,361
Michigan	342,021	141,353	14,001	2,810,802
Minnesota	1,933,215	1,273,928	48,696	32,082,684
Missouri	1,734,672	790,468	17,653	30,323,177
Ohio	380,483	162,216	11,053	3,590,316
Wisconsin	752,884	337,064	58,059	9,233,131
MIDWEST AREA	8,661,305	4,669,469	208,982	137,791,897
Alabama	575,403	213,952	297,704	9,671,692
Arkansas	261,308	125,004	140,804	3,446,229
Florida	135,100	48,219	117,790	1,951,769
Georgia	707,953	369,478	630,150	8,643,445
Kentucky	453,482	231,673	3,640	14,666,085
Louisiana	145,595	55,700	76,045	1,673,624
Mississippi	843,842	279,732	479,937	16,369,993
North Carolina	151,398	68,282	85,444	2,402,791
Puerto Rico	455	0	34	16,076
South Carolina	278,470	130,705	212,938	3,483,739
Tennessee	477,956	217,646	29,246	10,406,856
Virgin Islands	0	0	0	0
Virginia	80,139	37,132	28,902	1,351,796
SOUTHEAST AREA	4,111,101	1,777,523	2,102,635	74,084,095
Alaska	26,022	16,509	0	124,602
Idaho	880,911	537,727	2,725	13,437,223
Montana	2,863,184	1,821,625	1,222	36,701,440
Nebraska	1,427,336	915,812	4,102	31,164,004
North Dakota	3,181,452	2,110,967	1,313	45,690,624
Oregon	531,033	448,821	3,209	5,873,327
South Dakota	2,123,190	1,413,610	1,228	21,820,372
Washington	1,050,870	622,686	1,226	13,818,472
Wyoming	257,224	125,171	8	3,357,662
NORTHWEST AREA	12,341,222	8,012,928	15,033	171,987,726
Arizona	0	0	0	0
California	188,843	96,443	1,409	2,585,927
Colorado	1,980,395	1,128,287	642	48,746,899
Hawaii	85	0	31	340
Kansas	2,940,293	2,141,351	3,020	47,337,370
Nevada	3,123	840	0	49,130
New Mexico	483,181	393,063	0	20,080,189
Oklahoma	1,193,913	949,898	1,634	27,058,962
Texas	4,161,962	3,256,374	20,857	141,689,430
Utah	234,023	120,377	0	3,823,205
SOUTHWEST AREA	11,185,818	8,086,633	27,593	291,371,452
undistributed	0	0	0	0
TOTAL PROGRAM	36,528,412	22,627,264	2,364,228	678,040,269

Notes: Acres enrolled for the 12th CRP signup are based on preliminary data. Base Acres Reduction, Tree Acres, and Erosion Reduction data are available only through the 11th CRP signup.

Table 5

Conservation Reserve Program
Acres of Commodity Base Enrolled through Fiscal Year 1992

Commodity	Base Acres
Wheat	10,619,688
Corn	4,055,179
Upland Cotton	1,371,224
Oats	1,354,925
Barley	2,803,696
Sorghum	2,422,552
Total Acres	22,627,264

Note: Base acreage reduction data for the twelfth signup is not yet available

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include appropriation language for this item as follows:

Dairy Indemnity Program (Including Transfers of Funds)

For necessary expenses involved in making indemnity payments to dairy farmers for milk or cows producing such milk and manufacturers of dairy products who have been directed to remove their milk or dairy products from commercial markets because it contained residues of chemicals registered and approved for use by the Federal Government, and in making indemnity payments for milk, or cows producing such milk, at a fair market value to any dairy farmer who is directed to remove his milk from commercial markets because of (1) the presence of products of nuclear radiation or fallout if such contamination is not due to the fault of the farmer, or (2) residues of chemicals or toxic substances not included under the first sentence of the Act of August 13, 1968, as amended (7 U.S.C. 450j), if such chemicals or toxic substances were not used in a manner contrary to applicable regulations or labeling instructions provided at the time of use and the contamination is not due to the fault of the farmer, $5,000, to remain available until expended (7 U.S.C. 2209b): Provided, That none of the funds contained in this Act shall be used to make indemnity payments to any farmer whose milk was removed from commercial markets as a result of his willful failure to follow procedures prescribed by the Federal Government: Provided further, That this amount shall be transferred to the Commodity Credit Corporation: Provided further, That the Secretary is authorized to utilize the services, facilities, and authorities of the Commodity Credit Corporation for the purpose of making dairy indemnity disbursements.

DAIRY INDEMNITY PROGRAM

Appropriations Act, 1993	$5,000
Budget Estimate, 1994	5,000
Change in Appropriation	--

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1993 Estimated	Other Changes	1994 Estimated
Indemnity payments to dairy farmers and manufacturers	$5,000	--	$5,000

PROJECT STATEMENT
(On basis of available funds)

Project	1992 Actual	1993 Estimated	Increase or Decrease	1994 Estimated
Indemnity payments to dairy farmers and manufacturers	$131,651	$100,000	--	$100,000
Unobligated balance brought forward from prior years	-947,940	-821,289	+$95,000	-726,289
Unobligated balance carried forward to next year	821,289	726,289	-95,000	631,289
Total appropriation	5,000	5,000	--	5,000

EXPLANATION OF PROGRAM

The purpose of the Dairy Indemnity Program is to indemnify (1) dairy farmers and manufacturers of dairy products who, through no fault of their own, suffer income losses on milk or milk products removed from commercial markets because of certain chemical residues; and (b) dairy farmers for milk or cows when milk or dairy products are removed from commercial markets because of nuclear radiation, fallout, or other toxic substances.

Section 331 of the Economic Opportunity Act of 1964 authorized the Secretary to make indemnity payments, at fair market value, to farmers who have been directed to remove their milk from commercial markets because it contained residues of chemicals registered and approved by the Federal Government at the time of use. Original authority granted under this section terminated January 31, 1965, but the termination date has been extended 11 times. Major legislation extending and modifying the program is summarized as follows:

-- The Agricultural Act of 1970, Public Law 91-524, authorized indemnity payments to manufacturers of dairy products whose products have been removed from the market because they contained residues of chemicals registered and approved by the Federal Government.

-- The Agricultural and Consumer Protection Act of 1973, Public Law 93-86, extended the authority for dairy indemnity payments to June 30, 1977. The Act also authorized indemnity payments for dairy cows producing milk contaminated with pesticide residues.

-- The Food and Agriculture Act of 1977, which extended the Dairy Indemnity Program to September 30, 1981, also authorized indemnity payments for milk,

or cows producing milk, that must be removed from commercial markets as a result of chemical residues not previously included, nuclear radiation, or fallout.

-- Use of Commodity Credit Corporation services and facilities was authorized under Public Law 99-349, the fiscal year 1986 Urgent Supplemental Appropriations Act, and under the Rural Development, Agriculture, and Related Agencies Appropriations Act, 1988. This authority has been continued under subsequent appropriation acts.

-- Dairy Indemnity Program funds were made available until expended under Section 608, General Provisions, of Public Law 99-190, the Continuing Resolution for fiscal year 1986, and has been continued in subsequent appropriation acts.

-- The Food, Agriculture, Conservation, and Trade Act of 1990, Public Law 101-624, extended authority for the Dairy Indemnity Program through September 30, 1995.

During fiscal year 1993, an estimated $100,000 will be obligated for payment of claims filed by dairy producers under the program.

Dairy Indemnity Program
Geographic Breakdown of Obligations
Fiscal Year 1992 and Estimated Fiscal Years 1993 and 1994

State	1992 Actual	1993 Estimated	1994 Estimated
Alabama	$9,943	--	--
Arizona	--	$16,784	--
Florida	55,632	11,015	--
Georgia	6,824	4,890	--
Illinois	61,358	537	--
Indiana	287	--	--
Kansas	5,566	2,455	--
Mississippi	2,510	--	--
Missouri	16,045	2,204	--
Nebraska	3,021	8,906	--
Ohio	--	18,745	--
Oklahoma	1,299	--	--
Tennessee	5,439	282	--
Texas	8,840	--	--
Wisconsin	30,261	--	--
Undistributed	-75,374	34,182	$100,000
Total, Available or Estimate	$131,651	$100,000	$100,000

DAIRY INDEMNITY PROGRAM

STATUS OF PROGRAM

Current Activities: During fiscal year 1992, 51 dairy farmers in 12 States filed and received payment for claims totaling $131,651 under the Dairy Indemnity Program. These farmers' claims resulted from losses incurred due mostly to aflatoxin contamination discovered in their cattle's milk.

In fiscal year 1992, ASCS received reimbursement of $140,065 from Mountain View Dairy, Inc., a Hawaiian dairy producer who received dairy indemnity payments for heptachlor contamination in 1983 and subsequently won duplicate compensation through litigation. Since the program was then an annual account, this amount was returned to the Treasury Miscellaneous Receipt Account in accordance with the Code of Federal Regulations, Section 760.9(b).

Payments to dairy farmers from inception of the program in fiscal year 1965 through fiscal year 1992 total $16.4 million.

The provision for making indemnity payments to manufacturers of dairy products became effective on November 30, 1970. Since that time, 20 manufacturers have received indemnity payments totaling $3.9 million.

The following tables show (a) payments and number of payees during fiscal years 1965 through 1992, and (b) outlays by State during fiscal year 1992.

Dairy Indemnity Program

Payments and Number of Payees
Fiscal Years 1965–1992

Fiscal Year	Payments to Dairy Farmers	Payments to Manuf. of Dairy Prod.	Total Payments	Number of Payees
1965	$349,933	--	$349,933	135
1966	214,459	--	214,459	60
1967	166,466	--	166,466	110
1968	264,128	--	264,128	35
1969	136,571	--	136,571	20
1970	125,520	--	125,520	35
1971	164,474	--	164,474	23
1972	46,082	$15,500	61,582	4
1973	36,553	94,666	131,219	6
1974	144,477	31,261	175,738	21
1975	193,389	--	193,389	26
1976 a/	159,289	--	159,289	19
1977	40,284	--	40,284	8
1978	66,266	9,210	75,476	12
1979	64,267	--	64,267	13
1980	91,575	--	91,575	9
1981	42,231	--	42,231	15
1982	15,087	--	15,087	5
1983	6,121,374	--	6,121,374	18
1984	2,043,010	398,910	2,441,920	22
1985	50,070	--	50,070	5
1986	15	--	15	10
1987	4,871,724	3,361,892	8,233,616 b/	131
1988	449,543	--	449,543	4
1989	230,101	--	230,101	106
1990	112,405	--	112,405	52
1991	90,702	--	90,702	24
1992	131,651	--	131,651	51
Total	$16,421,646	$3,911,439	$20,333,085	979

a/ Includes transition quarter.

b/ Includes payments totaling $2,264,172 that were issued to producers and manufacturers in fiscal year 1986 but not reported to the National office and Treasury in time to appear as outlays in fiscal year 1986.

FY 1992 Outlays by State

State	Payments
Alabama	$9,943
Florida	55,632
Georgia	6,824
Illinois	61,358
Indiana	287
Kansas	5,566
Mississippi	2,510
Missouri	16,045
Nebraska	3,021
Oklahoma	1,299
Tennessee	5,439
Texas	8,840
Wisconsin	30,261
Undistributed	-75,374
Total program net outlays	$131,651

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Emergency Conservation Program

For necessary expenses to carry into effect the program authorized in sections 401, 402, and 404 of title IV of the Agricultural Credit Act for 1978 (16 U.S.C. 2201-2205), [$3,000,000] $2,760,000, to remain available until expended, as authorized by 16 U.S.C. 2204.

EMERGENCY CONSERVATION PROGRAM

Appropriations Act, 1993	$13,500,000 a/
Budget Estimate, 1994	2,760,000
Decrease in Appropriation	-$10,740,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1993 Estimated	Other Changes	1994 Estimated
Emergency cost-sharing to farmers ..	$12,420,000	$9,660,000	$2,760,000
Technical assistance	1,080,000	-1,080,000	--
Total Available	13,500,000 a/	-10,740,000	2,760,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1992 Actual	1993 Estimated	Increase or Decrease	1994 Estimate
Emergency cost-sharing to farmers	$21,747,721	$12,420,000	-$9,660,000(1)	$2,760,000
Technical assistance ..	752,279	1,080,000	-1,080,000(2)	--
Total, Appropriation	22,500,000	13,500,000	-10,740,000	2,760,000

PROJECT STATEMENT
(On basis of available funds)

Project	1992 Actual	1993 Estimated	Increase or Decrease	1994 Estimated
Emergency cost-sharing to farmers	$10,259,431	$40,112,497	-$37,352,497	$2,760,000
Technical assistance	752,279	3,488,043	-3,488,043	--
Total available	11,011,710	43,600,540	-40,840,540	2,760,000
Unobligated balance brought forward from prior years ..	-18,612,250	-30,100,540	+30,100,540	--
Unobligated balance carried forward to next year	30,100,540	--	--	--
Total, Appropriation	22,500,000	13,500,000 a/	-10,740,000	2,760,000

a/ The fiscal year 1993 total appropriation includes $10.5 million in contingency funding that was authorized for ECP by the Dire Emergency Supplemental Appropriations Act of 1992, P.L. 102-368, to be available only after an official budget request from the President. These contingency funds were made available on December 30, 1992, in accordance with provisions of P.L. 102-368.

EXPLANATION OF PROGRAM

The appropriation "Emergency Conservation Program" of the Agricultural Stabilization and Conservation Service funds the activities authorized by the Agricultural Credit Act of 1978 (P.L. 95-334). Under the program the Government shares the cost of carrying out approved practices to assist and encourage farmers to rehabilitate farmland damaged by natural disasters.

Assistance is available when, as a result of wind, floods, hurricanes or other natural disasters, new conservation problems are created which (1) if not treated, will impair or endanger the land, (2) materially affect the productive capacity of the land, (3) represent damage that is unusual in character and, except for wind erosion, is not the type that would recur frequently in the same area, and (4) will be so costly to rehabilitate that Federal assistance is or will be required to return the land to productive agricultural use. Also, payments may be made to agricultural producers who carry out emergency water conservation or water enhancing measures during periods of severe drought as determined by the Deputy Administrator, State and County Operations, ASCS.

Cost-sharing may be offered for emergency conservation measures only to replace or restore a practice or to restore the land to a condition similar to that existing prior to the natural disaster, and may not be offered for the solution of conservation problems existing prior to the disaster involved.

Emergency conservation measures or practices for which cost-sharing may be authorized are:

Practice EC1. Removing debris from farmland, including farmsteads and roadways.

Practice EC2. Grading, shaping, releveling or similar measures to restore farmland.

Practice EC3. Restoring permanent fences.

Practice EC4. Restoring structures and other installations.

Practice EC5. Emergency wind erosion control measures.

Practice EC6. Drought emergency measures

Practice EC7. Other emergency conservation measures.

Practices EC1 through EC5 are subject to approval by the ASCS county committee. Practices EC6 and EC7 additionally require prior approval by the Deputy Administrator, State and County Operations, ASCS.

JUSTIFICATION OF DECREASES

(1) A decrease of $9,660,000 for emergency cost-sharing to farmers ($12,420,000 available in fiscal year 1993).

Need for Change. In fiscal year 1992 Hurricanes Andrew and Iniki caused severe damage in four States, as did Typhoon Omar on Guam. Because of the devastation in those areas, $27 million in supplemental funding was provided by the Emergency Supplemental Appropriations Act of 1992, P.L. 102-368, to remain available through fiscal year 1993. Of that amount, $16.5 million was made immediately available in fiscal year 1992, but $10.5 million was available only upon an official request from the President.

The President submitted a request for the contingency funds, which were made available on December 30, 1992. Therefore, the fiscal year 1993 total appropriation of $13.5 million includes $12.420 million for cost-sharing of which $9.660 million is contingency supplemental funding. A decrease of $9.660 million in budget authority will return the level of funding to the $2.760 million appropriation level available for cost-sharing of fiscal year 1993 disasters. It is impossible to predict future disaster activity and, therefore, the need for funding above the fiscal year 1993 level for cost-sharing cannot be projected. In the event that additional needs arise in fiscal year 1994, funding will be addressed as necessary.

Nature of Change. The 1994 program will provide cost-sharing to farmers and ranchers to rehabilitate approximately 219,570 acres of farmland damaged by natural disasters.

(2) A decrease of $1,080,000 for technical assistance which is being proposed for funding under the Farm Service Agency in fiscal year 1994.

The following tables show (a) outlays by State, fiscal year 1992 and (b) geographic breakdown of obligations for fiscal years 1992-1994.

Emergency Conservation Program
Fiscal Year 1992 Outlays by State

State	Outlays
Alabama	$164,158
Arizona	329
Arkansas	70,491
California	31,106
Caribbean Area	113,102
Colorado	16,608
Connecticut	26,147
Georgia	884,452
Hawaii	97,354
Idaho	373,359
Illinois	200,358
Indiana	61,167
Iowa	890,933
Kansas	13,866
Louisiana	90,724
Maine	7,747
Massachusetts	1,390
Michigan	−376
Minnesota	57,016
Missouri	553,145
Montana	299,846
Nebraska	607,917
New Hampshire	17,126
New Mexico	135,320
New York	20,050
North Carolina	153,360
Ohio	738,535
Oklahoma	88,192
Oregon	271,855
Pennsylvania	92,205
South Carolina	137,366
South Dakota	926,955
Texas	1,269,826
Utah	15,170
Vermont	3,000
Virginia	20,940
Virgin Islands	−4,500
Washington	349,924
Wisconsin	21,657
Wyoming	24,149
Undistributed	−740,071
ASCS Subtotal	8,101,898
SCS Technical Assistance	752,279
Total	$8,854,177

Emergency Conservation Program
Georgraphic Breakdown of Obligations
Fiscal Year 1992 and Estimated Fiscal Years 1993 and 1994

State	1992 Actual	1993 Estimated	1994 Estimated
Alabama	$5,956	$258,508	--
Arizona	14,129	1,221,200	--
Arkansas	-42,802	0	--
California	65,828	440,825	--
Caribbean Area	152,379	0	--
Colorado	16,608	0	--
Connecticut	25,147	182,747	--
Florida	7,983	0	--
Georgia	327,026	916,529	--
Hawaii	93,406	320,577	--
Idaho	838,416	850,728	--
Illinois	91,069	0	--
Indiana	38,516	536,871	--
Iowa	548,123	762,896	--
Kansas	-1,108	0	--
Kentucky	0	110,000	--
Louisiana	84,720	182,069	--
Maine	7,747	0	--
Massachusetts	-4,708	8,459	--
Michigan	-376	39,376	--
Minnesota	0	64,000	--
Mississippi	19,156	360,292	--
Missouri	451,299	174,944	--
Montana	1,005,873	426,409	--
Nebraska	98,801	329,048	--
Nevada	28,185	133,437	--
New Hampshire	17,126	0	--
New Mexico	77,312	64,436	--
New York	20,050	0	--
North Carolina	239,488	155,512	--
Ohio	964,730	166,965	--
Oklahoma	-84,202	30,000	--
Oregon	145,686	104,204	--
Pennsylvania	103,209	19,125	--
South Carolina	97,840	898,906	--
South Dakota	1,282,327	461,887	--
Tennessee	0	6,324,757	--
Texas	3,755,648	0	--
Utah	15,170	0	--
Vermont	7,819	25,181	--
Virginia	43,815	224,375	--
Washington	434,462	334,784	--
West Virginia	11,271	3,729	--
Wisconsin	-18,767	4,383	--
Wyoming	24,149	0	--
Undistributed	-749,075	-714,662	$2,760,000
ASCS Subtotal	10,259,431	15,272,497	2,760,000
Hurricanes Andrew & Iniki, Typhoon Omar			
Florida	0	21,618,000	--
Guam	0	100,000	--
Hawaii	0	2,600,000	--
Louisiana	0	2,662,000	--
Mississippi	0	20,000	--
Undistributed	0	-2,160,000	--
ASCS Subtotal	0	24,840,000	--
ASCS Total	10,259,431	40,112,497	--
SCS Technical Assistance	752,279	3,488,043	--
Total, Available or Estimate	$11,011,710	$43,600,540	$2,760,000

NOTE: Negative obligations represent deobligation of prior years obligations

EMERGENCY CONSERVATION PROGRAM

STATUS OF PROGRAM

Current Activities: Of the total eligible costs of restoring damaged farmland, the Federal Government will pay up to 64 percent of the first $62,500, 40 percent of the second $62,500, and 20 percent of the eligible cost above $125,000. The maximum cost-share payment under the program is $200,000 per person, per disaster, including pooling agreements.

During fiscal year 1992, 38 States participated in the program, involving 1,045,918 acres and $8.8 million in cost-share and technical assistance outlays.

Selected Examples of Recent Activity:

-- Drought. During fiscal year 1992, $7,110,909 was allocated to producers in 12 States as a result of drought conditions.

-- Flooding. Producers in 25 States were provided ECP allocations in fiscal year 1992 totaling $11,816,348 to repair flood damage by reshaping the land and removing debris.

-- Hurricane. During fiscal year 1992, $600,000 was allocated to producers in Florida and Louisiana as a result of Hurricane Andrew damage. These allocations represented the last available funding from the FY 1992 appropriation. However, to address additional program needs, supplemental funding of $16.5 million was provided late in FY 1992 and was allocated early in FY 1993 for areas where the need was the greatest due to damage from Hurricanes Andrew and Iniki and Typhoon Omar. The 1992 supplemental appropriation also provided $10.5 million on a contingency basis. These funds were made available on December 30, 1992.

-- Tornado. Allocations of $70,550 were provided to producers in five States during fiscal year 1992 to rehabilitate land damaged by tornadoes.

-- Other disasters. Producers in four States received allocations of $1,524,415 in fiscal year 1992 to restore farmland damaged by wildfires and earthquakes.

The tables that follow show (a) appropriations and outlays for fiscal years 1957 through 1992, and (b) outlays by type of disaster for fiscal year 1992.

Emergency Conservation Program
Appropriations and Outlays
Fiscal Years 1957–1992

Fiscal Year	Appropriation	Outlays
1957	$4,000,000	$931,800
1958	20,000,000	1,975,898
1959	--	3,211,377
1960	--	897,656
1961	--	549,201
1962	5,000,000	8,796,544
1963	--	2,701,428
1964	4,000,000	3,392,835
1965	14,000,000	10,007,537
1966	24,000,000	13,189,570
1967	5,000,000	5,701,969
1968	5,000,000	5,403,016
1969	5,000,000	7,143,935
1970	5,000,000	8,303,981
1971	5,000,000	12,364,588
1972	12,000,000	7,407,073
1973	25,000,000	9,227,765
1974	10,000,000	18,195,465
1975	10,000,000	8,152,886
1976	10,000,000	11,242,440
TQ	2,500,000	3,399,204
1977	10,000,000	15,858,888
1978	30,000,000	15,496,330
1979	10,000,000	23,384,000
1980	35,000,000	22,196,759
1981	10,000,000	15,700,695
1982	8,800,000	4,400,132
1983	--	9,854,249
1984	19,000,000	15,488,359
1985	--	11,415,369
1986	5,000,000	7,098,964
1987	10,000,000	4,656,594
1988	1,000,000	4,763,344
1989	5,000,000	7,893,738
1990	29,927,000	12,256,527
1991	9,999,870	13,245,469
1992	22,500,000 1/	8,854,177
TOTAL	$371,726,870	$334,759,762

1/ Excludes $10.5 million in contingency funds provided by P.L. 102–368, which were made available on December 30, 1992.

Emergency Conservation Program
Outlays by Type of Disaster
Fiscal Year 1992

STATE	Drought	Flood	Hurricane	Tornado	All Other	Total
Alabama	—	$145,024	—	$8,754	—	$153,778
Arkansas	—	72,569	—	-3,452	—	69,117
California	—	—	—	—	31,106	31,106
Colorado	—	14,108	—	—	—	14,108
Connecticut	—	20,051	—	—	10,096	30,147
Georgia	—	814,158	—	—	—	814,158
Hawaii	—	95,173	—	—	—	95,173
Idaho	368,032	—	—	—	—	368,032
Illinois	-938	167,026	—	—	—	166,088
Indiana	—	61,724	—	—	—	61,724
Iowa	—	826,914	—	—	—	826,914
Kansas	—	—	—	13,866	—	13,866
Louisiana	—	82,520	—	—	—	82,520
Massachusetts	—	1,390	—	—	—	1,390
Mississippi	—	38,230	—	18,786	—	57,016
Missouri	475,206	16,020	—	7,660	—	498,886
Montana	59,313	—	—	—	175,236	234,549
Nebraska	45,416	523,411	—	—	—	568,827
Nevada	5,031	—	—	—	—	5,031
New Hampshire	—	15,569	—	—	—	15,569
New Mexico	1,527	133,793	—	—	—	135,320
New York	—	5,050	—	15,000	—	20,050
North Carolina	—	153,602	—	—	—	153,602
Ohio	635,959	2,576	—	—	—	638,535
Oklahoma	—	—	—	88,192	—	88,192
Oregon	64,905	204,109	—	—	3,215	272,229
Pennsylvania	83,605	—	—	—	—	83,605
Puerto Rico	—	113,102	—	—	—	113,102
South Carolina	—	117,004	—	—	—	117,004
South Dakota	805,939	108,381	—	—	—	914,320
Texas	—	1,036,703	—	25,818	—	1,062,521
Utah	—	10,370	—	—	—	10,370
Virginia	—	20,940	—	—	—	20,940
Washington	4,777	269,302	—	—	44,671	318,750
Wisconsin	—	6,255	—	14,955	—	21,210
Wyoming	24,149	—	—	—	—	24,149
TOTAL	$2,572,921	$5,075,074	$0	$189,579	$264,324	$8,101,898 a/

a/ Excludes technical assistance. Total outlays, including $752,279 for technical assistance are $8,854,177.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Forestry Incentives Program

For necessary expenses, not otherwise provided for, to carry out the program of forestry incentives, as authorized in the Cooperative Forestry Assistance Act of 1978 (16 U.S.C. 2101), [including technical assistance and related expenses, $12,446,000] $11,504,000, to remain available until expended, as authorized by that Act.

The change in language deletes authority for expenditures for technical assistance using funds appropriated for the FIP. Beginning in fiscal year 1994, it is proposed that technical assistance formerly included in this account be funded by the Salaries and Expenses account of the proposed Farm Service Agency.

FORESTRY INCENTIVES PROGRAM

Appropriations Act, 1993	$12,446,000
Budget Estimate, 1994	11,504,000
Decrease in Appropriation	-942,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1993 Estimated	Other Changes	1994 Estimated
Cost-sharing to landowners ..	$11,201,000	+$303,000	$11,504,000
Technical assistance	1,245,000	-1,245,000	--
Total Available	12,446,000	-942,000	11,504,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1992 Actual	1993 Estimated	Increase or Decrease	1994 Estimated
Cost-sharing to landowners	$11,201,000	$11,201,000	+$303,000(1)	$11,504,000
Technical assistance	1,245,000	1,245,000	-1,245,000(2)	--
Total, Appropriation ..	12,446,000	12,446,000	-942,000	11,504,000

PROJECT STATEMENT
(On basis of available funds)

Project	1992 Actual	1993 Estimated	Increase or Decrease	1994 Estimated
Cost-sharing to landowners	$11,517,717	$12,766,913	-$1,262,913	$11,504,000
Technical assistance	1,245,000	1,250,546	-1,250,546	--
Total available .	12,762,717	14,017,459	-2,513,459	11,504,000
Unobligated balance brought forward from prior years	-1,888,176	-1,571,459	+1,571,459	--
Unobligated balance carried forward to next year	1,571,459	--	--	--
Total, Appropriation ..	12,446,000	12,446,000	-942,000	11,504,000

EXPLANATION OF PROGRAM

The appropriation "Forestry Incentives Program" of the Agricultural Stabilization and Conservation Service funds the activities authorized by the Cooperative Forestry Assistance Act of 1978, as amended by section 1214 of the Food, Agriculture, Conservation, and Trade Act of 1990. Its purpose is to encourage the development, management, and protection of nonindustrial,

private forest lands to increase the production of timber and enhance other forest resources. The program is carried out through annual and long-term cost-sharing agreements with private landowners who improve a stand of forest trees or plant trees.

Under the 1993 program, cost-sharing and technical assistance totaling $12,446,000 will be provided to plant trees on approximately 156,600 acres and to improve timberstand on approximately 32,200 acres of forest. This program level would result in an estimated 106.5 million trees planted.

JUSTIFICATION OF INCREASE AND DECREASE

(1) An increase of $303,000 for cost-sharing to landowners ($11,201,000 available in fiscal year 1993).

Need for Change. The fiscal year 1994 budget requests $11.504 million for cost-share assistance to landowners. This level is a $303 thousand increase above the level available for this purpose in FY 1993, and is needed in fiscal year 1994 to maintain the same level of forestry practices projected for fiscal year 1993.

Nature of Change. The Forestry Incentives Program currently provides funding for cost-sharing agreements with private landowners who improve a stand of forest trees or plant trees. Program funds are currently used to reimburse the Forest Service for technical assistance. Beginning in fiscal year 1994, technical assistance is proposed to be funded within the administrative expenses budget of the proposed Farm Service Agency. Only financial assistance to producers will remain in this account.

(2) A decrease of $1,245,000 for technical assistance which is being proposed for funding under the Farm Service Agency in fiscal year 1994.

The following tables show (a) outlays for fiscal year 1992 and (b) geographic breakdown of obligations for fiscal years 1992-1994.

Forestry Incentives Program
Fiscal Year 1992 Outlays by State

State	Outlays
Alabama	1,000,298
Arizona	2,452
Arkansas	801,406
California	65,052
Colorado	7,494
Connecticut	6,672
Delaware	54,904
Florida	1,043,296
Georgia	1,389,014
Idaho	59,840
Illinois	93,773
Indiana	88,011
Iowa	58,388
Kansas	2,068
Kentucky	65,270
Louisiana	618,556
Maine	56,428
Maryland	130,496
Massachusetts	59,772
Michigan	86,734
Minnesota	70,172
Mississippi	680,740
Missouri	18,853
Montana	12,573
Nebraska	650
New Hampshire	68,614
New Jersey	520
New Mexico	358
New York	93,959
North Carolina	714,263
Ohio	147,932
Oklahoma	90,033
Oregon	629,100
Pennsylvania	85,594
Puerto Rico	4,032
Rhode Island	6,363
South Carolina	1,123,058
South Dakota	27,991
Tennessee	91,932
Texas	558,268
Vermont	12,484
Virginia	838,775
Washington	351,034
West Virginia	61,279
Wisconsin	163,998
Wyoming	74,549
Undistributed	134,045
ASCS, Subtotal	11,751,093
FS Technical Assistance	1,224,452
TOTAL	12,975,545

Forestry Incentives Program
Geographic Breakdown of Obligations
Fiscal Year 1992 and Estimated Fiscal Years 1993 and 1994

State	1992 Actual	1993 Estimated	1994 Estimated
Alabama	946,466	934,062	841,664
Alaska	−3,880	3,880	3,496
Arizona	−2,076	8,093	7,292
Arkansas	730,277	711,487	641,106
California	63,089	235,618	212,310
Colorado	−5,122	22,079	19,895
Connecticut	3,623	13,675	12,322
Delaware	91,832	115,413	103,996
Florida	1,091,687	1,143,799	1,030,654
Georgia	1,415,918	1,275,917	1,149,702
Idaho	32,979	48,095	43,337
Illinois	107,868	49,313	44,435
Indiana	78,774	97,487	87,844
Iowa	39,116	56,016	50,475
Kansas	4,599	11,483	10,347
Kentucky	46,397	103,843	93,571
Louisiana	640,910	655,428	590,593
Maine	56,077	53,748	48,431
Maryland	117,262	136,794	123,262
Massachusetts	52,107	56,337	50,764
Michigan	86,739	87,579	78,916
Minnesota	59,219	175,515	158,153
Mississippi	914,619	982,819	885,598
Missouri	21,501	125,039	112,670
Montana	6,639	10,173	9,167
Nebraska	−500	35,794	32,253
New Hampshire	40,723	41,042	36,982
New Jersey	845	23,062	20,781
New Mexico	8,833	18,464	16,638
New York	84,356	85,915	77,416
North Carolina	706,053	689,682	621,458
Ohio	158,517	160,865	144,952
Oklahoma	30,199	168,813	152,114
Oregon	510,270	511,598	460,990
Pennsylvania	55,769	150,178	135,322
Puerto Rico	30,666	16,495	14,863
Rhode Island	−922	4,899	4,414
South Carolina	1,023,793	1,036,623	934,079
South Dakota	25,037	21,729	19,580
Tennessee	113,465	153,569	138,378
Texas	508,944	622,396	560,828
Vermont	19,670	18,799	16,939
Virginia	793,483	873,738	787,307
Washington	354,556	352,444	317,580
West Virginia	68,458	60,066	54,124
Wisconsin	175,763	259,608	233,927
Wyoming	79,074	82,153	74,026
Undistributed	134,045	265,289	239,046
ASCS, Sub−total	11,517,717	12,766,913	11,504,000
FS Techn -al Assistance	1,245,000	1,250,546	--
Total, Available or Estimate	12,762,717	14,017,459	11,504,000

FORESTRY INCENTIVES PROGRAM

STATUS OF PROGRAM

Current Activities: The Forestry Incentives Program (FIP) is available in counties designated on the basis of a Forest Service survey of total eligible private timberland available for potential production of timber products. Features of the program include:

-- Cost-Share Rate. FIP shares up to 65 percent of the cost of performing forestry practices designed to plant or improve a stand of forest trees. The percentage cost-shared depends on the rate set in a particular State and county by the Agricultural Stabilization and Conservation (ASC) committee in consultation with the State forester or equivalent State official.

-- Eligibility. To be eligible for cost-sharing assistance under FIP, a landowner must:

- Own private, nonindustrial forest land that is capable of producing marketable timber crops and meeting minimum productivity standards of at least 50 cubic feet of wood per acre per year.

- Qualify as a private individual, group, Indian tribe or other native group, association, corporation (excluding corporations whose stocks are publicly traded), or other legal entity who owns no more than 1,000 acres of eligible forest land (unless ASCS determines it is in the public interest to grant an exception for a larger unit of up to 5,000 acres).

- Restrict the manufacture of forest products to a part-time or irregular basis.

-- Forest Management Plan. Once an eligible landowner requests assistance through an ASCS county office, a representative of the State forestry agency examines the landowner's property to certify the need for the practice. The landowner may enter into either an annual or long-term agreement (3-10 years). As a condition for cost-sharing assistance, the landowner works with the State forester to develop a forest management plan. The plan, when completed, must be approved by the State forester or his or her representative and a copy provided to the county ASC committee. The State forestry agency provides technical advice and helps find approved vendors, if needed, for getting the work accomplished.

-- Payment Limitation. Once the State forestry agency certifies that the project is complete, the county ASCS office makes the cost-share payments. The payment limitation to any person during any year is $10,000.

-- Practices. The practices for which costs are shared under FIP are as follows:

- FP1-Planting Trees. This practice is intended to increase the production of timber and improve the environment. Site preparation is an authorized part of the practice if certified as necessary by a representative of the State forestry agency.

- FP2-Improving a Stand of Forest Trees. This practice is aimed at increasing growth of trees on sites suitable for production of sawtimber and veneer logs. Both softwood and hardwood improvement practices may qualify. Precommercial thinning, pruning of crop trees, and releasing desirable seedlings and young trees are acceptable measures.

- FP3-Site Preparation for Natural Regeneration. This practice is aimed at establishing a stand of forest trees through natural regeneration for timber production purposes and to preserve and improve the environment.

- SF-Special Forestry Practices. A special forestry practice may be approved by the Deputy Administrator for State and County Operations, ASCS, after consultation with the Forest Service when needed for a significant and unique local condition for which the national practices are not adequate.

Selected Examples of Recent Progress:

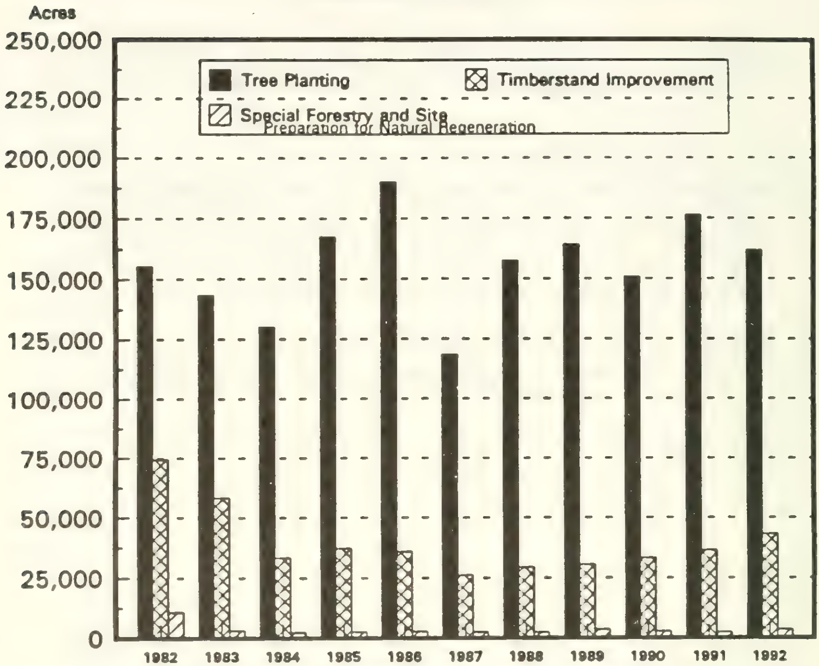
-- Participation. During fiscal year 1992 there were 5,179 participants. From fiscal year 1975, when the program became separately funded, through fiscal year 1992, 121,167 participants entered cost-share agreements to increase the production of timber on 4,138,196 acres of private forest lands. Forestry studies indicate that over 30 percent of all tree planting on nonindustrial, private lands is accomplished through FIP.

-- Payments. Outlays in fiscal year 1992 totaled $12,975,545.

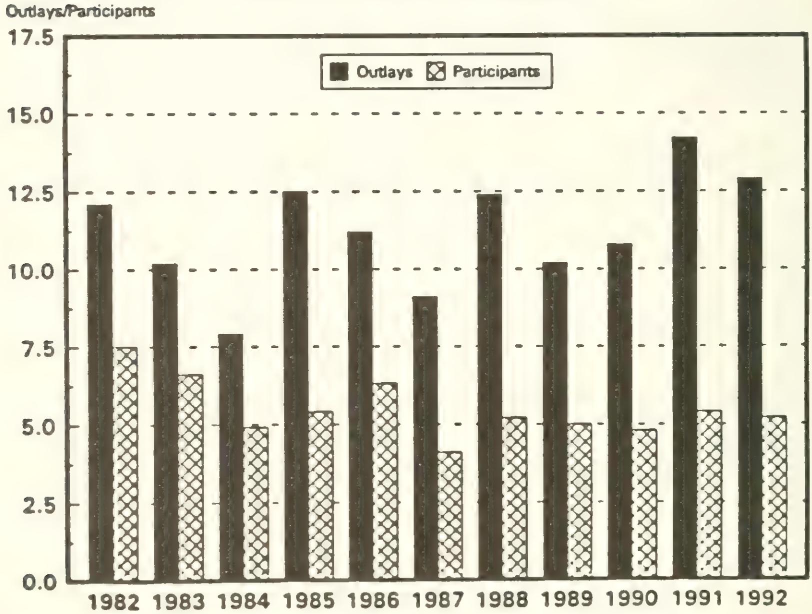
The following graphs show (a) the number of acres by type of practice, and (b) the outlays and number of participants for fiscal years 1982 through 1992.

FORESTRY INCENTIVES PROGRAM (FIP)

Number of Acres



Outlays and Number of Participants



RURAL CLEAN WATER PROGRAM

Appropriations Act, 1993	--
Budget Estimate, 1994	--
Change in Appropriation	--

PROJECT STATEMENT
(On basis of available funds)

Project	1992 Actual	1993 Estimated	Increase or Decrease	1994 Estimated
Cost-sharing to farmers ..	$267	--	--	--
Technical assistance	954,183	$407,591	-$407,591	--
Total available	954,450	407,591	-407,591	
Recovery of prior year obligations	-126,211	--	--	--
Unobligated balance brought forward from prior years	-1,235,830	-407,591	+407,591	--
Unobligated balance carried forward to next year	407,591	--	--	--
Total, Appropriation	--	--	--	--

EXPLANATION OF PROGRAM

The experimental Rural Clean Water Program is authorized by the Agriculture, Rural Development and Related Agencies Appropriation Acts of 1980 (P.L. 96-108) and 1981 (P.L. 96-528).

The purpose of the program is to develop and test means of controlling agricultural nonpoint source water pollution in rural areas. It provides long-term financial and technical assistance to landowners and operators to improve water quality and meet water quality goals. Under the program, participants agree to install and maintain practices as specified in an approved water quality plan. The effectiveness of the practices in reducing identified pollutants entering a stream or lake or leaving their source is evaluated.

Federal technical assistance is provided by the Soil Conservation Service, Forest Service, Economic Research Service, and the Environmental Protection Agency. Nonfederal technical assistance is provided by local agencies and/or conservation districts.

The experimental program encompasses 21 project areas, which contain a multiplicity of pollution-causing materials (nutrients/fertilizers, toxics/pesticides, organics/bacteria, sediment, dissolved solids, etc.). Recommended project areas were developed by local and State committees and approved by the Secretary of Agriculture in consultation with the Administrator of the Environmental Protection Agency.

Full funding is provided for all projects on a current dollar basis. Application of the construction cost index (from the Department of Commerce Composite of Construction Cost Index, Bureau of the Census, Construction Statistics Division) to the original approvals is used to project future budgetary requirements. Activities represented in the 1994 Budget require no additional funding. Projects have been fully funded by 1980 and 1981 appropriations.

The following tables show (a) outlays by State, fiscal year 1992, (b) geographic breakdown of obligations for fiscal years 1992–1994, and (c) costs by project.

Rural Clean Water Program
Fiscal Year 1992 Outlays by State

State	Outlays
Florida	$54,509
Idaho	40,347
Illinois	12,095
Iowa	1,428
Kansas	13,963
Kentucky	22,456
Louisiana	91,179
Maryland	121,775
Minnesota	73,414
Nebraska	126,914
Oregon	271,462
Pennsylvania	24,208
South Dakota	36,551
Tennessee	121,948
Wisconsin	58,388
Undistributed	706,065
ASCS, Subtotal	1,776,702
Technical Assistance	2,135,327
TOTAL	$3,912,029

Rural Clean Water Program
Geographic Breakdown of Obligations
Fiscal Year 1992 and Estimated Fiscal Years 1993 and 1994

State	1992 Actual	1993 Estimated	1994 Estimated
Alabama	--	--	--
Delaware	--	--	--
Florida	--	--	--
Idaho	--	--	--
Illinois	--	--	--
Iowa	--	--	--
Kansas	--	--	--
Kentucky	--	--	--
Louisiana	--	--	--
Maryland	--	--	--
Massachusetts	−126,211	--	--
Michigan	--	--	--
Minnesota	--	--	--
Nebraska	--	--	--
Oregon	--	--	--
Pennsylvania	--	--	--
South Carolina	--	--	--
South Dakota	--	--	--
Tennessee	--	--	--
Vermont	--	--	--
Virginia	--	--	--
Wisconsin	--	--	--
Undistributed	126,478	407,591	--
ASCS, Subtotal	267	--	--
Technical Assistance	954,183	407,591	--
Total, Available or Estimate	954,450	407,591	--

NOTE: Negative obligations represent deobligation of prior years' obligations.

RURAL CLEAN WATER PROGRAM PROJECTS

Project	Location	Actual Cost 1/	Status
Lake Tholocco	Alabama	$1,772,064	Implemented in 1980. 80% of its critical acres and 100% of its best management practice (BMP) funds are under contract.
Appoquinimink	Delaware	887,256	Implemented in 1980. 87% of its critical acres and 99% of its BMP funds are under contract.
Taylor Creek-Nubbin Slough/ Lower Kissimmee River	Florida	3,278,631	The Taylor Creek-Nubbin Slough project was implemented in 1981. 87% of its critical acres and 98% of its BMP funds are under contract. Lower Kissimmee River was added in 1988. 58% of its critical acres and 62% of its BMP funds are under contract.
Rock Creek	Idaho	5,376,943	Implemented in 1980. 73% of its critical acres and 96% of its BMP funds are under contract. Selected as one of five comprehensive monitoring and evaluation (CM&E) projects.
Highland Silver Lake	Illinois	3,974,691	Implemented in 1980. 82% of its critical acres and 95% of its BMP funds are under contract. A CM&E project.
Prairie Rose Lake	Iowa	655,891	Implemented in 1980. 97% of its critical acres and 83% of its BMP funds are under contract.
Upper Wakarusa	Kansas	2,131,691	Implemented in 1980. Has been terminated.

Reelfoot Lake	Kentucky	900,443	Implemented in 1980. 64% of its critical acres and 90% of its BMP funds are under contract.
Bonne Idee	Louisiana	4,234,762	Implemented in 1980. 75% of its critical acres and 88% of its BMP funds are under contract.
Double Pipe Creek	Maryland	5,064,038	Implemented in 1980. 100% of its critical acres and 100% of its BMP funds are under contract.
Westport River	Massachusetts	667,085	Implemented in 1981. 67% of its critical acres and 88% of its BMP funds are under contract.
Saline Valley	Michigan	2,613,885	Implemented in 1980. 32% of its critical acres and 100% of its BMP funds are under contract.
Garvin Brook	Minnesota	2,580,422	Implemented in 1981. 42% of its critical acres and 100% of its BMP funds are under contract.
Long Pine Creek	Nebraska	2,409,388	Implemented in 1981. 79% of its critical acres and 99% of its BMP funds are under contract.
Tillamook Bay	Oregon	5,447,461	Implemented in 1981. 99% of its critical acres and 100% of its BMP funds are under contract.
Conestoga Headwaters	Pennsylvania	4,051,797	Implemented in 1981. 40% of its critical acres and 79% of its BMP funds are under contract. A CM&E project.
Oakwood Lake Poinsett	South Dakota	3,552,215	Implemented in 1981. 61% of its critical acres and 63% of its BMP funds are under contract. A CM&E project.

Reelfoot Lake	Tennessee	4,384,462	Implemented in 1980. 58% of its critical acres and 99% of its BMP funds are under contract.
Snake Creek	Utah	373,553	Implemented in 1980. 100% of its critical acres and 100% of its BMP funds are under contract.
St. Albans Bay	Vermont	5,089,482	Implemented in 1980. 75% of its critical acres and 100% of its BMP funds are under contract. A CM&E project.
Nansemond-Chuckatuck	Virginia	2,152,814	Implemented in 1981. 75% of its critical acres and 92% of its BMP funds are under contract.
Lower Manitowoc	Wisconisn	2,399,205	Implemented in 1980. 57% of its critical acres and 88% of its BMP funds are under contract.
Subtotal		63,998,179	
Technical Assistance, National Association of Conservation Districts		1,821	
	TOTAL	$64,000,000	

1/ Includes funds for best management practices, information and education, Federal and nonfederal technical assistance, and comprehensive monitoring and evaluation. A best management practice is a single practice or a system of practices to improve water quality included in the approved RCWP project application that reduces or prevents agricultural nonpoint source pollution. Comprehensive monitoring and evaluation involves the monitoring of water quality analysis of samples, evaluation of results, and analysis of socioeconomic impact on the affected population.

RURAL CLEAN WATER PROGRAM

STATUS OF PROGRAM

Current Activities: The experimental RCWP provides financial and technical assistance to farmers and ranchers for the installation of approved measures that reduce or control agricultural nonpoint source pollution.

-- Program Operation. Project proposals were developed and recommended by local and State coordinating committees and were selected by the Secretary of Agriculture in consultation with the Administrator of the Environmental Protection Agency. Work plans for each project, initially developed prior to selection, are updated annually.

Each participant entered into a contract agreement during the first 5 years of the project, to carry out an individual water quality plan developed in cooperation with the Soil Conservation Service and the soil conservation district. Approved contracts then run from 3 to 10 years and may be modified to reflect changes in the status of the participant, the land agreement, or farming operations.

Pollution problems are treated by Best Management Practices (BMP's) specified by the individual water quality plan developed for each farm. Practices that qualify for cost-sharing under the RCWP are those that reduce pollutants entering a stream or lake, or prevent them from leaving their source.

-- Payment Levels and Limitations. The maximum Federal cost-share level is 75 percent, unless otherwise approved by the Administrator, ASCS. Total payment to a single producer is limited to $50,000 over the life of the contract. There is no annual limitation.

-- Monitoring and Evaluation. General monitoring records progress on practice installation, payments, and short- and long-term water quality trends for all projects. An economic evaluation of each project is performed to determine the cost-share rate for each practice. Comprehensive monitoring and evaluation (CM&E) involves the monitoring of water quality, analysis of samples, evaluation of results, and analysis of socioeconomic impact on the affected population. Projects in Idaho, Illinois, Pennsylvania, South Dakota, and Vermont have been selected as CM&E projects.

Selected Examples of Progress:

-- Funding Status:

- The contracting period for all projects has ended. Any further changes in project funding reflect cost reestimates.

- Since inception, $33,978,580 of $34,007,808 (99.9 percent) in BMP funds have been placed under contract.

- Since inception, $20.5 million has been allocated for technical assistance activities to EPA, ERS, ES, FS, SCS, and for other technical services to local conservation districts.

- Since inception, $7.8 million has been approved for comprehensive monitoring and evaluation: Idaho, $1,388,966; Illinois, $1,285,757; Pennsylvania, $1,231,400; South Dakota, $1,675,957; and Vermont, $2,267,055.

-- National RCWP Symposium. The National RCWP Symposium was held in September 1992 to present the results of the 10-year experimental RCWP to Federal, State, and local project managers, landowners, and others interested in solutions to nonpoint source pollution.

-- Program Reports. The following are the major reports generated by the National Water Quality Evaluation Project:

- Water Quality Monitoring Report for Agricultural Nonpoint Source Pollution Control Projects - Methods and Findings from the Rural Clean Water Program.
- Summary Report: Evaluation of the Experimental Rural Clean Water Program.
- The National Rural Clean Water Program Symposium - 10 years of Controlling Agricultural Nonpoint Source Pollution: The RCWP Experience Status of Agricultural Nonpoint Source Projects. (Prepared annually.)
- The Rural Clean Water Program: A Report.
- Rural Clean Water Program - Lessons Learned From a Voluntary Nonpoint Source Control Experiment.
- Evaluation of the Experimental Rural Clean Water Program.

-- Lessons learned from the RCWP experience:

- Best Management Practices (BMP's) improve water quality.
- There must be flexibility to try BMP innovations or modifications to make them adaptable to specific situations.
- Federal funds for nonpoint source (NPS) pollution control programs must be committed up-front and for the entire project period.
- Sufficient financial and technical resources must be available to make adequate water quality monitoring and evaluation programs possible, since monitoring is the primary and most defensible means for evaluating the effectiveness of an NPS control program.
- The availability of cost-share assistance at a sufficiently high level is the most important factor in obtaining producer participation in voluntary NPS control programs.
- Project goals must be realistic, specific, and measurable.
- The critical areas must be well defined and must encompass the major pollution sources.
- First priority should be given to projects where there is a high probability for reversing the water use impairment.
- The linkage of land treatment to water quality can be made at the farm field, subwatershed, watershed, or project level.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Water Bank Program

For necessary expenses to carry into effect the provisions of the Water Bank Act (16 U.S.C. 1301-1311), [$18,620,000] $17,130,000, to remain available until expended.

WATER BANK PROGRAM

Appropriations Act, 1993	$18,620,000
Budget Estimate, 1994....................................	17,130,000
Change in Appropriation..................................	-1,490,000

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

Item of Change	1993 Estimated	Other Changes	1994 Estimated
Annual payments to landowners	$17,130,000	--	$17,130,000
Technical assistance	1,490,000	-$1,490,000	--
Total Available	18,620,000	-1,490,000	17,130,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1992 Actual	1993 Estimated	Increase or Decrease	1994 Estimated
Annual payments to landowners	$17,130,000	$17,130,000	--	$17,130,000
Technical assistance	1,490,000	1,490,000	-$1,490,000(1)	--
Total, Appropriation	18,620,000	18,620,000	-1,490,000	17,130,000

PROJECT STATEMENT
(On basis of available funds)

Project	1992 Actual	1993 Estimated	Increase or Decrease	1994 Estimated
Annual payments to landowners	$16,978,229	$20,312,030	-$3,182,030	$17,130,000
Technical assistance	953,455	1,490,000	-1,490,000	--
Total available	17,931,684	21,802,030	-4,672,030	17,130,000
Unobligated balance brought forward from prior years ..	-2,493,713	-3,182,030	+3,182,030	--
Unobligated balance carried forward to next year	3,182,030	--	--	--
Total, Appropriation	18,620,000	18,620,000	-1,490,000	17,130,000

EXPLANATION OF PROGRAM

The appropriation "Water Bank Program" of the Agricultural Stabilization and Conservation Service funds the activities authorized by the Water Bank Act, Public Law 91-559, approved December 19, 1970, as amended by the Public Law 96-182, approved January 2, 1980.

Its purpose is to conserve water, preserve, maintain, and improve migratory waterfowl habitat and other wildlife resources, and secure other environmental benefits through long-term land use agreements with landowners and operators in important migratory waterfowl nesting, breeding, and feeding areas that have been specifically designated by the Secretary.

The Secretary enters into agreements with landowners and operators for the conservation of specified wetlands. The agreements are for 10 years with provision for renewal for additional periods. During the period of the agreement, the landowner agrees not to drain, burn, fill or otherwise destroy the wetland character of such areas. The Secretary makes annual payments to the owner or operator at a rate determined at the time of agreement and subject to review after 4 years and at the time of renewal.

The Secretary carries out the program in coordination with wetlands programs administered by the Secretary of the Interior and utilizes the technical and related services of appropriate State, Federal,and private conservation agencies to ensure coordination.

JUSTIFICATION OF DECREASE

(1) A decrease of $1,490,000 fo technical assistance which is being proposed for funding under the Farm Service Agency in fiscal year 1994.

Need for Change: Beginning in fiscal year 1994, technical assistance formerly included in this account is proposed to be funded within the administrative expenses budget of the proposed Farm Service Agency. Only financial assistance to producers will remain in this account.

Nature of Change: In fiscal year 1994, the budget requests $17.130 million for entering into 10-year agreements with landowners. The budget request of $17.130 million would protect approximately 106,000 acres of wetlands and adjacent lands in important migratory waterfowl nesting, breeding, and feeding areas. It would permit renewal of approximately 1,000 expiring agreements, as well as provide funding to enter into new 10-year agreements. Funds would be directed to the States considered to have the most valuable wetlands and adjacent lands as identified by United States Department of Interior studies. Equal consideration would be given to applications for renewal or new agreements.

The following tables show (a) outlays for fiscal year 1992 and (b) geographic breakdown of obligations for fiscal years 1992-1994.

Water Bank Program
Fiscal Year 1992 Outlays By State

State	Outlays
Arkansas	$485,398
California	448,537
Louisiana	653,675
Michigan	3,579
Minnesota	1,899,059
Mississippi	882,340
Montana	202,259
Nebraska	179,452
North Dakota	3,055,400
Ohio	11,399
South Dakota	1,415,635
Wisconsin	586,771
Undistributed	205
Tech. Assist.	953,455
Total	$10,777,164

Water Bank Program
Geographic Breakdown of Obligations
Fiscal Year 1992 and Estimated Fiscal Years 1993 and 1994

State	1992 Actual	1993 Estimated	1994 Estimated
Arkansas	$1,095,493	$1,492,030	– –
California	806,087	1,018,820	– –
Kentucky	0	185,547	– –
Louisiana	793,806	1,716,806	– –
Maine	0	0	– –
Michigan	0	40,061	– –
Minnesota	3,311,411	2,965,649	– –
Mississippi	1,726,790	2,158,437	– –
Montana	189,927	266,123	– –
Nebraska	401,814	500,556	– –
North Dakota	4,287,929	4,111,161	– –
Ohio	201,408	463,793	– –
South Dakota	2,941,624	2,937,498	– –
Wisconsin	1,221,735	1,214,511	– –
Undistributed	205	1,241,038	$17,130,000
Tech. Assist. a/	953,455	1,490,000	– –
Total, Available or Estimate	$17,931,684	$21,802,030	$17,130,000

a/ Beginning in 1994, it is proposed that technical assistance formerly included in this account be funded within the proposed Farm Service Agency.

WATER BANK PROGRAM

STATUS OF PROGRAM

Current Activities: Under the Water Bank Program, persons having eligible wetlands in selected migratory waterfowl nesting, breeding, and feeding areas enter into 10-year agreements, with provision for renewal, and receive annual payments for preserving wetlands.

The Water Bank Act, as amended by P.L. 96-182, approved January 2, 1980, authorizes the Secretary to review rental rates on agreements at the beginning of the fifth year and at time of renewal, and to adjust these rates if land and crop values have changed.

The amended act also specifies that payments cannot exceed $30 million in any calendar year, and that not more than 15 percent for the funds authorized to be appropriated in any fiscal year may be used for agreements in any one State.

Selected Examples of Recent Progress:

The 473 agreements entered in 1982 expired December 31, 1991, and were eligible for renewal in 1992. During fiscal year 1992, 988 renewals or new agreements were signed with landowners to protect 102,750 acres. From 1983 through September 1992, 5,976 agreements were entered into on 663,881 acres of land.

The tables that follow show (a) 1992 calendar year agreements by State through September 1992, and (b) the status of calendar year agreements from 1983 through September 1992.

Water Bank Program
1992 Calendar Year Agreements
As of September 30, 1992

State	Number of Approved Counties	Number of Agreements	Designated Acres	Annual Payment For Designated Acreage
Arkansas	11	104	15,588	$148,558
California	11	21	6,453	78,331
Louisiana	6	60	5,998	78,482
Minnesota	44	227	11,802	324,558
Mississippi	17	92	17,941	155,167
Montana	9	20	1,688	20,237
Nebraska	20	30	1,381	39,043
North Dakota	36	203	21,107	285,440
Ohio	4	32	1,146	23,114
South Dakota	40	130	15,321	273,135
Wisconsin	19	69	4,325	136,984
Total	217	988	102,750	$1,563,049

Water Bank Program
Status of Calender Year Agreements
1983 Through September 30, 1992

Calender Year	Number of Agreements	Designated Acres			Annual Payments
		Total Acres	Wetland Acres	Adjacent Acres	
1983	495	52,002	16,449	35,553	$803,324
1984	569	57,627	23,258	34,369	832,421
1985	541	64,004	23,604	40,400	896,282
1986	332	37,431	13,785	23,646	524,987
1987	482	58,153	20,091	38,062	899,065
1988	492	64,102	25,902	38,200	998,390
1989	531	62,394	30,136	32,258	916,803
1990	755	77,110	36,296	40,814	1,093,819
1991	791	88,308	43,549	44,759	1,215,665
1992	988	102,750	52,184	50,566	1,563,049
Total	5,976	663,881	285,254	378,627	$9,743,805

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored):

Wetlands Reserve Program

For necessary expenses to carry out the Wetlands Reserve Program pursuant to subchapter C of subtitle D of title XII of the Food Security Act of 1985 (16 U.S.C. 3837), $370,260,000, to remain available until expended: Provided, That none of the funds made available under this heading shall be used for technical assistance: Provided further, That the Secretary is authorized to use the services, facilities, and authorities of the Commodity Credit Corporation for the purpose of carrying out the Wetlands Reserve Program.

The requested appropriation language would provide funding to carry out the purposes of the Wetlands Reserve Program in fiscal year 1994.

WETLANDS RESERVE PROGRAM

Appropriations Act, 1993	--
Budget Estimate, 1994	$370,260,000
Increase in Appropriation	+370,260,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1993 Estimated	Other Changes	1994 Estimated
Financial Assistance:			
Easement payments	--	+$334,260,000	$334,260,000
Cost-sharing	--	+29,250,000	29,250,000
Easement overhead costs .	--	+6,750,000	6,750,000
Subtotal	--	+370,260,000	370,260,000
Technical assistance	--	--	--
Total Available	--	+370,260,000	370,260,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1992 Actual	1993 Estimated	Increase or Decrease	1994 Estimated
Financial Assistance:				
Easement payments .	$37,038,000	--	+$334,260,000	$334,260,000
Cost-sharing	2,616,000	--	+29,250,000	29,250,000
Easement overhead costs	517,000	--	+6,750,000	6,750,000
Subtotal	40,171,000	--	+370,260,000(1)	370,260,000
Technical assistance	6,186,000	--	-- (2)	--
Total, Appropriation	46,357,000	--	+370,260,000	370,260,000

PROJECT STATEMENT
(On basis of available funds)

Project	1992 Actual	1993 Estimated	Increase or Decrease	1994 Estimated
Financial Assistance:				
Easement payments .	--	$37,038,000	-$37,038,000	--
Cost-sharing	--	2,616,000	-2,616,000	--
Easement overhead costs	--	517,000	-517,000	--
Subtotal	--	40,171,000	-40,171,000	--
Technical assistance	$3,100,000	3,086,000	-3,086,000	--
Total, available	3,100,000	43,257,000	-$43,257,000	--
Unobligated balance brought forward from prior years	--	-43,257,000	+43,257,000	--
Unobligated balance carried forward to next year	43,257,000	--	+370,260,000	370,260,000
Total, Appropriation	46,357,000	--	+370,260,000	370,260,000

EXPLANATION OF PROGRAM

The Wetlands Reserve Program (WRP) is a mandatory program (subject to the availability of appropriations) authorized by Section 1237 of the Food Security Act, as added by Section 1438 of the Food, Agriculture, Conservation, and Trade Act of 1990. It is one component of the larger Environmental Conservation Acreage Reserve Program (ECARP), which also includes the existing Conservation Reserve Program (CRP). The 1990 FACT Act requires the Secretary to enroll at least 40 million acres in ECARP by the end of 1995, including, to the extent practicable, 1 million acres in the WRP.

The primary objectives of the Wetlands Reserve Program are to preserve, protect, and restore wetlands, improve wildlife habitat, and protect migratory bird habitat. Wetland restoration will improve water quality and provide flood water retention, ground water recharge, open space, and aesthetic values. The Secretary of Agriculture, through designated ASCS county offices, uses program funds to enter into contracts with landowners who operate farmed or converted wetlands, farmed wetland or prior converted wetland and adjoining land or riparian corridors. The contracts provide permanent easements or easements of 30 years or the maximum allowable under State law. The Wetlands Reserve entails coordination and consultation with other USDA and non-USDA agencies, such as the Environmental Protection Agency. Technical assistance is provided by the Soil Conservation Service and Fish and Wildlife Service.

Under the WRP, the timing of compensation will depend upon whether or not easements are permanent. For non-permanent easements the law authorizes annual payments over a period of 5 to 20 years. The program decision has been made to issue 10 equal annual payments. For permanent easements, participants have the option to elect a lump-sum payment contingent upon completion of the required wetland restoration protection plan.

The fiscal year 1992 appropriation provided initial funding of $46.357 million for a pilot program to enroll 50,000 acres. The total USDA acreage goal is 1 million acres by 1995.

Under the fiscal year 1992 program, landowners in the nine pilot States -- California, Iowa, Louisiana, Minnesota, Mississippi, Missouri, New York, North Carolina, and Wisconsin -- submitted non-binding intentions to participate in the WRP during the signup held June 15 - 26, 1992. To become eligible for acceptance in the WRP, landowners who submitted intentions were required to submit, within 90 days after the close of the signup period, bids indicating the total dollar amount they would accept for granting an easement on the land. Only offers of permanent easements were accepted.

Within 60 days after the signup period, the Soil Conservation Service met with the landowner and developed an initial Wetlands Reserve Plan of Operations (WRPO), with the assistance of the Fish and Wildlife Service. Within 90 days after the signup period, the Soil Conservation Service completed the development of the WRPO and reviewed the plan with the landowner.

Bids were evaluated at the county office level to determine whether the landowner and the land offered met basic eligibility requirements. Ineligible persons or land were disqualified.

To determine accepted bids, ASCS, at the national level, ranked the bids based on the environmental benefits per dollar of government expenditure for restoration and easement purchase. A formula was used to ensure that offers were not accepted in excess of the fair market value of agricultural land, as adjusted for soil productivity, landowners' cost of wetland restoration, long-term easement area operation and maintenance, and other factors. Upon acceptance of the bid the landowner was notified.

The Secretary of Agriculture announced on January 14, 1993, that farmers and ranchers in the nine pilot States had received tentative acceptance for enrollment of 49,888 acres into the Wetlands Reserve Program. Participants had the option to elect a lump-sum payment contingent upon completion of the required wetland restoration and protection plan, or 10 equal annual installments. During the plan's implementation, a participant will receive 10 percent of the total bid amount annually, with the remainder paid upon completion of all restoration practices according to the option selected. Compensation will be in cash as specified in the contract, but will not exceed the fair market value of the land. The program also provides landowners cost-share assistance of up to 75 percent of eligible restoration costs.

Easement acquisition rates for the 1992 WRP pilot accepted acres averaged $722.65 per acre for lump sum easement payments, $833.41 for annual installment easement payments, and $52.43 per acre for cost-sharing of restoration costs. Easement overhead costs averaged about $10.35 per accepted acre and include surveys, title searches, abstracts, attorney fees, and certain appraisal costs. SCS technical assistance is $124.00 per accepted acre.

The bid acceptance process is lengthy, and it is estimated that 6 months to a year may elapse between the time a landowner signs up for the program and the time that funds for the easement can be legally obligated.

Appropriations requested are to fully fund all program costs up front, even though payments may be made over a multi-year period.

JUSTIFICATION OF INCREASE

(1) An increase of $370,260,000 for Wetlands Reserve Program easement payments, cost-sharing, and easement overhead costs (no fiscal year 1993 funding was made available to operate the program).

Need for Change. The 1994 request of $370.26 million will support a nationwide program to protect and restore wetlands and protect and enhance habitat for migratory birds and other wildlife. The FACT Act requires the Secretary of Agriculture to enroll, to the extent practicable, 1 million acres in the WRP by the end of 1995. 49,988 acres have been tentatively accepted in the 1992 pilot program. Pending the results of the first signup, Congress provided no funding for the program in fiscal year 1993, but directed the Department to provide a report, which was submitted in February 1993. The 1994 budget proposes signup of 450,000 acres. Together with the 1992 acres, this will bring enrollment to about half the total acreage goal, with 500,112 acres remaining for signup in 1995.

Nature of Change. The 1994 budget request is based on the results of the 1992 pilot program signup. The assumed rates per accepted acre are:

- $723 for lump-sum easement payments
- $833 for annual installment easement payments
- $65 for restoration
- $15 for overhead costs, including surveys, title searches, abstracts, attorney fees, and appraisals.

The budget assumes that the majority of participants, as in the pilot program, ll choose lump-sum easement payments rather than annual installme.. payments.

T requested funding would provide:

- $334.3 million for easement payments
- $29.3 million for cost-sharing
- $6.8 million for easement overhead costs.

(2) No funds are proposed for technical assistance. The budget proposes that beginning in fiscal year 1994 technical assistance be funded under the Farm Service Agency.

The following tables show (a) outlays for fiscal year 1992 and (b) geographic breakdown of obligations for fiscal years 1992-1994.

Wetlands Reserve Program
Fiscal Year 1992 Outlays By State

State	Outlays
California	$0
Iowa	0
Louisiana	0
Minnesota	0
Mississippi	0
Missouri	0
New York	0
North Carolina	0
Wisconsin	0
SCS Tech. Assist.	0
Total	$0

Wetlands Reserve Program
Geographic Breakdown of Obligations
Fiscal Year 1992 and Estimated Fiscal Years 1993 and 1994

State	1992 Actual	1993 Estimated	1994 Estimated
California	$0	$10,020,785	--
Iowa	0	5,319,450	--
Louisiana	0	8,137,016	--
Minnesota	0	676,701	--
Mississippi	0	8,918,153	--
Missouri	0	2,421,653	--
New York	0	203,479	--
North Carolina	0	3,090,926	--
Wisconsin	0	1,083,005	--
SCS Tech. Assist.	3,100,000	3,086,074	--
Easement Overhead costs.	--	299,758	--
Total, Available or Estimate a/	$3,100,000	$43,257,000	--

a/ The 1993 Appropriation Act did not provide funding for a signup in FY 1993. The FY 1992 unobligated balance of $43.257 million will be used in FY 1993 to obligate 1992 easement contracts, and related costs. The FY 1994 appropriation request of $370.260 million will be used in FY 1995 to obligate FY 1994 easement contracts, and related costs.

WETLANDS RESERVE PROGRAM

STATUS OF PROGRAM

Current Activities: Under the pilot program in effect for fiscal year 1992, the WRP is operated in nine States by State and county ASC committees with technical assistance provided by the Soil Conservation Service and Fish and Wildlife Service of the United States Department of Interior. Under the pilot WRP, ASCS will purchase permanent easements on up to 50,000 acres from landowners who agree to preserve, restore, and protect their eligible lands.

Eligible lands under the program may include:

-- cropped wetlands
-- eligible acres already enrolled in the Conservation Reserve Program
-- riparian areas
-- nonwetland areas occurring within a restorable wetland area
-- noncropped natural wetlands
-- buffer areas
-- wetlands restored under a Federal or State program.

Features of the program include:

-- Contracts. The FACT Act authorized both permanent and non-permanent easement contracts with landowners. The pilot WRP will purchase only permanent easements, which will remain in effect even if land ownership changes. Both permanent and non-permanent easements of 30 years or the maximum duration allowed under applicable State law may be considered under any future nationwide program.

-- Easement payments. In exchange for granting a permanent easement and implementing a wetland restoration and protection plan, the landowner may elect to receive either ten equal annual payments or a lump sum payment.

-- Cost-share payments. Under the pilot WRP, 75 percent of the cost of eligible practices will be paid to restore the land to wetland condition and provide wildlife habitat.

-- Easement overhead costs. Reimbursement of overhead costs will be provided from available program funding, rather than borne by the landowner. Such overhead costs include the recording of the easement in the State and county where the land is located, and applicable charges for abstracts, surveys, appraisal fees, title insurance and taxes associated with acquiring an easement.

-- Technical assistance. The Soil Conservation Service (SCS) and the Fish and Wildlife Service develop a Wetlands Reserve Plan of Operations (WRPO) for offered acres initially determined to be eligible. The WRPO specifies the manner in which the wetlands and adjacent lands must be restored, operated, and maintained, as well as any compatible uses reserved to the landowner. Once a bid is accepted, SCS develops a final implementation plan for the easement area.

Examples of Recent Progress:

-- First WRP signup. The FY 1992 signup was held in June 1992 in nine States participating in the 1992 pilot program -- California, Iowa, Louisiana, Minnesota, Mississippi, Missouri, New York, North Carolina, and Wisconsin. Approximately 466,000 acres were offered, of which up to 50,000 acres will be placed under permanent conservation easements in 1993.

-- Wetland restoration plans. WRPO's were developed for the offered acres initially determined to be eligible.

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

[Conservation Operations]

[For necessary expenses for carrying out the provisions of the Act of April 27, 1935 (16 U.S.C. 590a-590f) including preparation of conservation plans and establishment of measures to conserve soil and water (including farm irrigation and land drainage and such special measures for soil and water management as may be necessary to prevent floods and the siltation of reservoirs and to control agricultural related pollutants); operation of conservation plant materials centers; classification and mapping of soil; dissemination of information; acquisition of lands by donation, exchange, or purchase at a nominal cost not to exceed $100; purchase and erection or alteration or improvement of permanent and temporary buildings; and operation and maintenance of aircraft, $576,539,000, to remain available until expended (7 U.S.C. 2209b); of which not less than $5,713,000 is for snow survey and water forecasting and not less than $8,064,000 is for operation and establishment of the plant materials centers: Provided, That except for $2,399,000 for improvements of the plant materials centers, the cost of any permanent building purchased, erected, or as improved, exclusive of the cost of constructing a water supply or sanitary system and connecting the same to any such building and with the exception of buildings acquired in conjunction with land being purchased for other purposes, shall not exceed $10,000, except for one building to be constructed at a cost not to exceed $100,000 and eight buildings to be constructed or improved at a cost not to exceed $50,000 per building and except that alterations or improvements to other existing permanent buildings costing $5,000 or more may be made in any fiscal year in an amount not to exceed $2,000 per building: Provided further, That when buildings or other structures are erected on non-Federal land that the right to use such land is obtained as provided in 7 U.S.C. 2250a: Provided further, That no part of this appropriation may be expended for soil and water conservation operations under the Act of April 27, 1935 (16 U.S.C. 590a-590f) in demonstration projects: Provided further, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225) and not to exceed $25,000 shall be available for employment under 5 U.S.C. 3109: Provided further, That qualified local engineers may be temporarily employed at per diem rates to perform the technical planning work of the Service (16 U.S.C. 590e-2).]

This change proposes deletion of the Conservation Operations appropriations language and establishing new language in the Salaries and Expenses appropriations of the Farm Service Agency to carry out these activities.

Conservation Operations

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1992 Amount	1992 Staff Years	1993 estimated Amount	1993 estimated Staff Years	Increase or Decrease	1994 estimated* Amount	1994 estimated* Staff Years
1. Technical assistance	$477,919,768	8,544	$490,186,200	8,750			
2. Soil surveys	72,554,000	1,161	72,554,000	1,188			
3. Snow survey and water forecasting	5,713,000	75	5,713,000	77			
4. Operation of plant materials centers	8,064,000	131	8,064,000	134			
Total available estimate	$564,250,768	9,911	$576,517,200	10,149			
Transfer to Dept.	+98,000	--	+212,000	--			
Transfer from Rental	-219,768	--	-190,200	--			
Total, appropriat'n.	$564,129,000	9,911	$576,539,000	10,149			

*NOTE: These activities are reflected in the Salaries and Expenses account of the Farm Service Agency in 1994.

(On basis of available funds)

Project	1992 Amount	1992 Staff Years	1993 estimated Amount	1993 estimated Staff Years	Increase or Decrease	1994 estimated* Amount	1994 estimated* Staff Years
1. Technical assistance	$477,557,948	8,544	$490,186,200	8,750			
2. Soil surveys	72,657,970	1,161	72,554,000	1,188			
3. Snow survey and water forecasting	5,717,906	75	5,713,000	77			
4. Operation of plant materials centers	8,055,990	131	8,064,000	134			
Total direct obligations	563,989,814	9,911	576,517,200	10,149			
Unobligated balance lapsing	(260,954)	--	--	--			
Adjusted appropriation	(564,250,768)	(9,911)	(576,517,200)	(10,149)			
Reimbursable obligations:							
1. Technical assistance	48,155,632	930	51,415,000	975			
2. Soil surveys	6,569,935	127	7,000,000	136			
3. Snow survey and water forecasting	248,923	2	265,000	2			
4. Operation of plant materials centers	1,256,873	20	1,320,000	20			
Total, reimbursable obligations	56,231,363	1,079	60,000,000	1,133			
Obligational authority	$620,221,177	10,990	$636,517,200	11,282			

*NOTE: These activities are reflected in the Salaries and Expenses account of the Farm Service Agency in 1994.

SOURCES OF REIMBURSEMENTS

Project	1992 Amount	1992 Staff-Years	1993 estimated Amount	1993 estimated Staff-Years	Decrease	1994 estimated* Amount	1994 estimated* Staff-Years
Within USDA:							
Agricultural Stabilization & Conservation Service.....	$28,241,670	718	$30,585,000	758			
Office of International Cooperation & Development.....	634,448	10	1,000,000	15			
Other..............	8,625,233	44	8,866,000	44			
Other Federal.......	8,175,822	124	8,444,000	126			
Non-Federal:							
State and Counties for Soil Surveys..	3,060,416	61	3,385,000	68			
Other..............	7,493,773	122	7,720,000	122			
Total reimbursements	$56,231,362	1,079	$60,000,000	1,133			

*NOTE: These activities are reflected in the Salaries and Expenses account of the Farm Service Agency in 1994.

EXPLANATION OF PROGRAM

The appropriation "Conservation Operations," funds four Soil Conservation Service activities authorized by the Act of April 27, 1935, (16 U.S.C. 590-590f); and the Soil and Water Resources Conservation Act of 1977, (16 U.S.C. 2001-2009). These activities are designed to reduce erosion, solve soil and water management problems, bring about physical adjustments in land use, improve agriculture, and reduce damage caused by floods and sedimentation. Activities include:

1. Technical assistance - The Soil Conservation Service provides technical assistance within 2,941 conservation districts. These districts, formed under State enabling legislation and locally controlled, have within their boundaries about 99 percent of the farms and ranches in the Nation. In cooperation with conservation districts, the Soil Conservation Service provides technical help to more than 1.8 million district cooperators, who are primarily farmers and ranchers, having land use and conservation problems. More than 1 million district cooperators receive help on an annual basis. Over 18,000 State and local units of government were assisted with problems of land use, conservation, or building and water resource developments during FY 1992.

   Conservation plans developed by landusers consist of their decisions to achieve conservation objectives, and contain soil and capability maps and other basic resource data interpreted for alternative uses and treatment.

   Installation services are provided to cooperating land users to help them apply planned conservation systems. These services include site investigation, designs and specifications, construction plans, and layout of practices.

   Technical assistance is currently being provided to implement the highly erodible land, wetland, and Conservation Reserve Program (CRP) provisions of the 1985 Food Security Act as amended by the Food, Agriculture, Conservation and Trade Act of 1990. SCS field technicians make the highly erodible land and wetland determinations and assist landusers in the preparation of conservation plans and application of practices needed to ensure compliance with the law. Producers had

until December 31, 1989, to have an approved conservation plan developed on all highly erodible cropland in order to retain their eligibility for USDA farm program benefits. The approved conservation measures must then be installed by December 31, 1994. As of October 1992, 3.4 million highly erodible land determinations and 2.6 million wetland determinations had been made; conservation plans were completed for 140.4 million acres and conservation systems were applied on 79 million acres. After the twelth program sign up, the CRP has 36.5 million acres enrolled in 380,648, 10-year contracts which reduce erosion by 698 million tons annually (18 tons per acre).

Technical services are also provided to individuals and groups participating in the Agricultural Conservation Program (ACP) for site selection, layout, or establishment of specified conservation practices; and to those farmers who enter into contracts under the CRP. Technical assistance for CRP was also provided to complete and/or modify conservation plans and to implement the plans under contracts signed in prior years. It is estimated that technical assistance was provided for the ACP on approximately 83,000 farms and 4.6 million acres.

This item also funds the inventory and monitoring, resource appraisal and program development activities of the Soil Conservation Service. Natural and related resource data, other than soil survey data, are collected and interpreted for National assessments, and provided to users for resource programming and planning decisions. In addition, special resource inventories are made of wind erosion conditions in the Great Plains, and for identification of important farmlands and areas with critical erosion rates. Nationwide appraisals of soil, water, and related resources are conducted on a periodic basis and future long-range conservation programs are developed to help USDA, soil and water conservation districts, and other Federal, State and local agencies identify the highest priority problems and the present and likely future demands on the soil, water, and related resources of the Nation.

Overall accomplishments under the Conservation Technical Assistance program for 1992 and 1993 are as follows. These actities will be carried out under the authorities of the Salaries and Expenses account of the Farm Service Agency in fiscal year 1994:

	FY 1992 Actual	FY 1993 Estimate	FY 1994 Estimate
Decisionmakers receiving technical services (000's)....................	1,213	1,250	
Acres treated through conservation technical assistance (000's).......	60,258	60,300	
Tons of soil erosion reduced (000's).	299,370	314,300	

2. Soil surveys - Special investigations and interpretations are made to determine the kinds of soil, potential alternative uses, and their needs for full use and conservation. Each soil survey includes field mapping and necessary correlation, interpretation, investigations, and laboratory work. These surveys are conducted cooperatively with other Federal agencies, land grant universities, other State agencies, and local units of government. The published soil survey for a county or designated area includes maps and interpretations with explanatory information that is the foundation of resource planning and decision making for Federal, State, county, and local community programs. Special reports are prepared and released as needed for local uses. Current program emphasis is being placed on project mapping and soils

interpretation assistance to private individuals and other Federal, State and local decision makers who received a diminished level of technical assistance during the acceleration of mapping on Food Security Act impacted land where soil survey information was not available. Emphasis is also being placed on designing mapping units and providing interpretations that will address water quality assessments and the wetland and highly erodible land provisions of the Food Security Act.

Actual and projected accomplishments for the soil survey program are as follows:

	FY 1992 Actual	FY 1993 Estimate	FY 1994 Estimate
Acres mapped annually by SCS (millions).....	30.4	29.1	
Soil surveys ready for publication (number).	53	60	

3. Snow survey and water forecasting - Snow survey and water forecasting provides a valuable service to irrigators and others who rely upon snow data and water supply forecasts in planning annual operations. More than 10 million acres of irrigated land in the Western States and Alaska are served by water supply forecasts. Although water supply forecasts are geared primarily to the needs of rural farm and ranch operators, they are used extensively by a wide variety of water management groups that have responsibility for flood control, recreation, fish and wildlife, power generation, municipal and industrial water supply, and water quality management.

4. Operation of plant materials centers - Plant materials centers are operated for testing, selection, and providing for the commercial production of plants for erosion control, water quality, special conservation purposes, and adaptation to unusual soil and site conditions. The work at the 26 centers includes cooperation with State and Federal agencies, commercial businesses, and seed and nursery associations to encourage release, production, and use of new or uncommon plant materials needed in soil and water conservation programs. Over 200 new conservation plant varieties from this program are in large scale use in combating the many problems encountered in a total program of soil, water, and related resource conservation. Nine new conservation plants were released for conservation purposes during FY 1992.

OIG Reports

50990-28-AT	9/29	USDA Laboratories Hazardous Materials Management.
50990-31-AT	7/29	Compliance with Anti-Lobbying (P.L. 101-21).
506000-3-KC	3/92	Conservation Reserve Program Bid Evaluation Procedures.
50600-2-AT	In Progress	Cleanup Costs Under Selected interagency Agreements.
10099-3-FM	In Progress	Security of Computer Systems.
10099-11-KC	In Progress	Status Review Process for Conservation Plans.
03099-162-KC	In Progress	Wetlands Provisions of FSA.
03600-25-KC	In Progress	Survey of Wetland Reserve Program.
50600-3-KC	In Progress	Conservation Compliance Reviews.

GAO Reports

RCED-92-79FS	12/91	Overview of USDA and Other Federal Wetland Conservation Efforts.
RCED-92-139FS and RCED-92-202R	4/92 7/92	Information on USDA's Water Quality Cost-Share Programs.
RCED-92-245R	9/92	Letter Report: Soil Conservation Service Reorganization
RCED-92-150528	In Progress	Review of Research and Extension Issues.
RCED-92-150040	In Progress	Interim Review of 1995 Farm Bill.
510829	In Progress	Survey of Strategic Information Management Methodologies
966406	In Progress	Review of Federal Job Classification for Discrimination.

SOIL CONSERVATION SERVICE
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1992 and Estimated 1993 and 1994
CONSERVATION OPERATIONS

	1992		1993		1994	
	AMOUNT	STAFF YEARS	AMOUNT	STAFF YEARS	AMOUNT	STAFF YEARS
ALABAMA........	$10,801,745	213	$10,838,682	215		
ALASKA.........	2,328,140	31	2,477,238	33		
ARIZONA........	5,519,234	87	6,041,199	95		
ARKANSAS.......	10,309,263	194	10,385,032	196		
CALIFORNIA.....	14,609,506	257	14,614,686	258		
COLORADO.......	12,962,917	247	13,314,902	256		
CONNECTICUT....	1,999,508	32	1,994,840	32		
DELAWARE.......	1,495,235	16	1,532,217	16		
FLORIDA........	8,089,732	131	8,085,176	132		
GEORGIA........	12,348,348	247	12,487,116	251		
HAWAII.........	3,399,843	52	3,524,203	54		
IDAHO..........	9,548,745	169	9,116,849	162		
ILLINOIS.......	14,968,691	307	15,059,162	311		
INDIANA........	12,310,582	237	12,893,363	249		
IOWA...........	20,722,259	415	21,377,140	430		
KANSAS.........	18,256,416	386	18,763,807	399		
KENTUCKY.......	12,901,334	263	13,202,762	270		
LOUISIANA......	8,644,618	162	8,411,397	158		
MAINE..........	2,921,862	56	3,051,182	58		
MARYLAND.......	5,315,399	91	5,255,212	90		
MASSACHUSETTS..	2,544,331	43	2,538,404	43		
MICHIGAN.......	10,729,423	158	10,737,044	158		
MINNESOTA......	12,870,899	252	13,345,484	262		
MISSISSIPPI....	11,083,609	199	11,348,300	205		
MISSOURI.......	18,170,013	344	18,733,426	356		
MONTANA........	14,977,204	291	15,113,193	296		
NEBRASKA.......	15,291,904	305	15,647,378	314		
NEVADA.........	3,190,961	54	3,302,984	56		
NEW HAMPSHIRE..	1,962,989	35	2,000,140	36		
NEW JERSEY.....	3,325,118	53	3,118,975	49		
NEW MEXICO.....	7,738,989	145	8,080,691	152		
NEW YORK.......	9,427,967	157	9,171,898	153		
NORTH CAROLINA.	10,851,611	193	10,940,626	195		
NORTH DAKOTA...	12,153,494	243	12,456,532	250		
OHIO...........	10,760,110	198	11,474,813	211		
OKLAHOMA.......	12,539,170	234	13,055,964	245		
OREGON.........	8,439,482	149	8,653,003	153		
PACIFIC BASIN..	967,597	14	1,000,070	14		
PENNSYLVANIA...	8,781,828	164	8,974,128	168		
PUERTO RICO....	3,150,921	57	3,107,252	57		
RHODE ISLAND...	885,507	15	976,623	16		
SOUTH CAROLINA.	6,526,401	131	6,499,947	130		
SOUTH DAKOTA...	9,400,900	190	9,758,076	198		
TENNESSEE......	11,428,344	208	11,826,519	216		
TEXAS..........	35,466,310	668	36,634,175	694		
UTAH...........	6,009,752	107	6,014,694	108		
VERMONT........	2,528,036	46	2,532,799	46		
VIRGINIA.......	8,955,548	157	9,401,783	165		
WASHINGTON.....	10,173,617	193	10,509,404	200		
WEST VIRGINIA..	5,419,879	108	5,606,918	112		
WISCONSIN......	11,140,000	211	11,583,895	220		
WYOMING........	5,668,999	102	5,785,321	105		
CHESTER NTC....	2,682,968	40	2,752,352	41		
FORT WORTH NTC.	15,230,073	212	13,783,636	193		
LINCOLN NTC....	11,043,101	179	11,456,012	186		
PORTLAND NTC...	6,573,775	73	6,470,422	72		
NATIONL HDQTRS.	46,445,607	390	49,698,154	409		
TOTAL available or estimate..	$563,989,814	9,911	$576,517,200	10,149		

CONSERVATION OPERATIONS

STATUS OF PROGRAM

Authority and Mission: The Soil Conservation Service (SCS) is a technical agency of the United States Department of Agriculture (USDA). The agency was established by Public Law 74-46 on April 27, 1935, (16 U.S.C. 590a-590f) to carry out a continuing program of soil and water conservation on the private lands of the Nation. The current mission of the agency is to provide national leadership in the conservation and wise use of soil, water, and related resources through a balanced cooperative program that protects, restores, and improves those resources.

Since 1983 the conservation activities of the Soil Conservation Service have been guided by the priorities and objectives as set forth in the National Conservation Program (NCP) which was prepared in response to the provisions of the Soil and Water Resources Conservation Act of 1977 (RCA) (Public Law 95-192). The long-term objectives of the program are designed to maintain and improve the soil, water, and related resources of the Nation's nonpublic lands by:

-- Reducing excessive soil erosion.
-- Reducing agricultural nonpoint source pollution of water.
-- Improving irrigation efficiency.
-- Making more effective use of water.
-- Reducing upstream flood damages.
-- Improving range condition.

SCS continues to play a major role in USDA's implementation of the conservation provisions of the Food Security Act (FSA) of 1985 (Public Law 99-198) and the Food, Agriculture, Conservation and Trade Act (FACTA) of 1990 (Public Law 101-624). The conservation provisions include:

1. Highly erodible land conservation (16 U.S.C. 3811-3813);
2. Wetland conservation (16 U.S.C. 3821-3823);
3. Environmental Conservation Acreage Reserve Program (16 U.S.C. 3831-3845);
   - Conservation Reserve Program
   - Wetland Reserve Program
4. Conservation easements (7 U.S.C. 1997).

Under these provisions, SCS is responsible for defining highly erodible lands, wetlands, and converted wetlands, and for assisting farmers develop and install conservation plans and conservation systems as a basis for Conservation Reserve Program contracts or for conservation compliance purposes. The law required that all producers have an approved conservation plan on all highly erodible cropland by December 31, 1989, in order to continue their eligibility for USDA farm program benefits. Producers then have until December 31, 1994, to install the approved conservation systems. SCS will assign highest priority during this period to providing the technical assistance needed to help producers comply with the provisions of the law. In addition, technical assistance will be provided in support of Environmental Conservation Acreage Reserve Program sign-ups authorized by the 1990 Farm Bill.

Cooperation with Conservation Districts: USDA and SCS have entered into memoranda of understanding with 2,955 conservation or special districts to establish a basis for a cooperative local-Federal conservation partnership. Under the terms of these agreements, SCS provides technical assistance through each district to assist farmers, ranchers, rural communities, and others to plan, apply, and maintain conservation treatment on the land. These districts are legal subdivisions of State government organized for the purpose of developing and carrying out local conservation programs to protect, conserve, and maintain the natural resource base of the Nation. Officials of conservation districts are local leaders in the development of appropriate land use and conservation treatment on private and other lands within district boundaries. They solicit local, State, and Federal participation to help carry out locally adapted conservation programs. Over the

years, they have developed cooperative ways of financing conservation programs that provide numerous public and private benefits. State and local appropriations of funds for conservation district program activities totaled approximately $493.9 million in FY 1992. This was about $19.5 million less as compared to FY 1991.

Cooperation with Other Agencies: Many Federal and State agencies rely upon the technical expertise unique to SCS to plan and implement programs which impact rural residents and/or resources. Some examples are the Agricultural Conservation Program, the Colorado Salinity Control Program, the Conservation Reserve Program, and the experimental Rural Clean Water Program of the Agricultural Stabilization and Conservation Service; the Surface Mine Control and Reclamation Programs of the Department of the Interior; the Coastal Zone Management Program of the Department of Commerce; and the Chesapeake Bay Agreement, National Estuary Program and Clean Lakes Program of the Environmental Protection Agency. Memoranda of Understanding (MOU) have been signed with EPA for nonpoint source technical cooperation, with Extension Service for water quality data and training, and with ARS and the Geological Survey addressing cooperation in the area of water quality research.

SCS is recognized internationally as a world leader for resource conservation technology delivery, soil surveys, erosion control and water management activities. SCS completed 222 technical assignments to 47 foreign countries and carried out the following objectives: provided international conservation assistance, shared soil conservation technology with other countries that have similar soil and conservation problems through scientific and technical exchanges, and participated in meetings of international technical and professional societies. SCS also provided opportunities for 268 foreign nationals from over 39 countries to gain a better understanding of soil and water conservation activities in the United States. These representatives visited various locations to study conservation programs in order to transfer applicable methods to their home counties.

Information Services: SCS has a proactive and flexible information and public affairs program that keeps the Nation fully informed about 1) increasing complex conservation and environmental requirements of current farm law, 2) voluntary solutions to environmental concerns on farms and ranches and in rural and urban communities and 3) SCS inventories of resource conditions and trends.

Current information initiatives target the critical issues of conservation compliance, wetlands conservation, water management (quality and quantity), and farming's revolution in crop residue management.

SCS's Office of Public Affairs in Washington D.C. and the state and regional information officers have accelerated their partnership building with other government agencies, with private industry, and with the media. These partnerships are helping us meet the diverse information needs of the American people, and providing us with essential feedback about the quality of our information program.

This appropriation is further divided into subappropriation items as follows:

CONSERVATION TECHNICAL ASSISTANCE

Current Activities: Conservation technical assistance provides the basic foundation supporting cooperative and complementary conservation programs involving Federal, State, and local units of government, organizations, and private citizens. Many times, this assistance serves as the initial USDA contact with land users who participate in other USDA, State, and local conservation programs. Assistance is provided by trained resource conservation and management specialists. These specialists inventory and interpret site-specific information about soil, plant, water, and other physical conditions to determine feasible alternative land uses and conservation treatment alternatives. This information is used in assisting land users to make decisions about land use and the conservation treatment systems that are needed to protect the resources from

excessive deterioration. After land users make appropriate conservation use and treatment decisions, they receive technical help as needed, to apply the planned conservation treatment. This assistance may include design, layout, and on-site installation services to assure that the applied conservation treatment is of a high quality and serves the intended purpose. These services require professional skills from a variety of specialized resource management disciplines to achieve an interdisciplinary approach under a wide range of land ownership and use conditions. At the national level, SCS specialists develop and maintain standards for conservation treatment, provide technology transfer, and serve as the Federal government's expert in matters concerning the conservation use and treatment of the Nation's private lands.

Overall, SCS provided 1,213,343 technical services to land users and units of government for conservation purposes in FY 1992. As a result of these services, land users made conservation planning decisions on about 18.0 million acres of land and 415,158 land users applied one or more conservation practices to improve soil, water, and related resources on 60.2 million acres of non-Federal lands. The estimated value of the practices applied to improve this acreage was more than $2 billion. Some of the long-term public and private benefits resulting from conservation planning and application assistance include reduced erosion and sedimentation, cleaner water, improved use of irrigated water, reduction of health hazards, improved fish and wildlife habitat, improved aesthetic qualities, flood prevention, and sustained food and fiber production at reasonable cost.

Summary of Progress: A breakdown of the total acres of land treated with SCS technical assistance in FY 1992 follows:

Land treated SCS assistance: (Non-Federal lands)	Total Acres Treated (millions)
Cropland	27.2
Rangeland	24.8
Pastureland	4.5
Woodland	1.4
Other Land	2.3
Total	60.2

Examples of Current Activities and Progress:

Highly erodible land and wetland conservation provisions of the Food Security Act of 1985. The conservation provisions of the Food Security Act directly impact persons who produce agricultural commodities on highly erodible land or converted wetlands and participate in certain USDA programs. SCS has defined highly erodible land as those soils that have an erodibility index of 8 or more. Using this criteria, 118 million acres of cropland and 235 million acres of noncropland that has a potential to be cropped is classified as highly erodible land. However, because highly erodible land is determined on a field basis, an additional 42 million acres of non-highly erodible cropland is also impacted. Between 1988 and 1995 SCS estimates that only 5 million acres of the highly erodible noncropland that has a potential for conversion to cropland will actually be converted. Additionally, about 5 million acres of the 70 million acres of wetlands in the United States will be affected by the wetland conservation provisions. Thus, these provisions impact 160 million acres or 38 percent of the nation's farmland.

As of September 30, 1992, 3.4 million highly erodible land determinations were completed. Of this total, 1.7 million were positive determinations and included over 150 million acres of highly erodible lands. 1.5 million conservation plans have been developed on 140.9 million acres of highly erodible lands to meet the December 31, 1994, deadline in the law. By the end of FY 1992, 55.6 percent of the conservation plans on highly erodible lands had been installed.

The target date for completing the 3.1 million wetland determinations has been delayed. At the end of FY 1992, 2.6 million wetland determinations had been completed of which 1.1 million were positive. Again, there is a continuing wetland related workload anticipated beyond the goal date. Activities will include determinations required for new participants, processing minimal effect exemptions, documenting the location and impacts of previously installed drainage systems, and completion of wetland inventories.

Wetland inventories covering cropland and adjacent lands have been initiated in 45 states. Inventories have been completed in more than 950 counties in 45 states. SCS uses the wetland inventory approach in areas with concentrations of both wetlands and USDA program participants as the basis for making wetland determinations. This improves overall efficiency and quality of determinations. Wetland inventories also provide a consistent basis for making wetland determinations for new producers in future years.

Conservation Reserve Program: The Conservation Reserve Program (CRP) offers long-term rental payments and cost-share assistance to farm owners or operators to retire existing highly erodible and environmentally sensitive cropland from crop production for 10 years. A protective vegetative cover of grass or trees on the converted lands will reduce soil erosion and improve water quality and enhance wildlife habitat. No more than 25 percent of a county's cropland will be accepted for participation without a waiver from the Secretary. The 1990 Farm Bill expanded the criteria used for determining CRP land.

Over the life of the program, the 36.5 million acres (380,648 contracts) enrolled in CRP after the 12th program signup will result in a soil loss reduction of 698 million tons annually.

The following provides a summary of the current status of the program:

	12th signup	Cumulative
Total Bids Received	37,119	535,221
Total Accepted Bids	20,121	380,648
Total Acres enrolled	1,132,459	36,528,410
Total Tree Area enrolled	129,085	2,475,844
Average Size of Contract in Acres	56	96

Wetland Reserve Program (WRP): The Wetland Reserve Program allows individuals to enroll farmed wetlands or converted wetlands in exchange for long-term or permanent easements. SCS provides technical assistance to individuals submitting WRP bids. SCS assistance is provided for determining program eligibility, developing a Wetlands Conservation Plan, for engineering and environmental design, construction and wetland establishment review. In 1992, the first WRP signup was conducted on a pilot basis in nine states with a target of 50,000 acres being enrolled.

Agricultural Conservation Program (ACP): SCS provides technical assistance to ACP participants for planning, design, layout, supervision, and certification that the practice meets SCS standards and specifications. In addition to regular ACP assistance, the Water Quality Improvement Program (WQIP) was implemented in FY 1992 in 224 counties in 46 states. Applications were received to install 2,350 water quality measures on 400,000 acres.

Rural Abandoned Mine Program (RAMP): SCS provides technical and financial assistance through 5-10 year contracts with land users. The objective of the RAMP is to evaluate, design, and install needed conservation treatments to reclaim soil and water resources on rural lands adversely affected by past coal-mining practices. RAMP was authorized by Section 406 of the Surface Mining Control and Reclamation Act of 1977, P.L. 95-87, as amended by the Abandoned Mine Reclamation Act of 1991, P.L. 101-508. Land users in 20 states have submitted 4,471 program applications (on 105,813 acres) for assistance under the program. New RAMP contracts were signed with 98 land users in FY 1992 obligating $7.1 million. To date, SCS has signed a total of 1,185 contracts for the reclamation of 15,645 acres, obligating $100.6

million. Accomplishments to date include 12,476 acres reclaimed, 2,453 health and safety hazards eliminated, and 1,103,509 tons of soil erosion prevented annually. Water quality has been improved in 60,000 acres of lakes and 678 miles of streams. Funds for the operation of RAMP are transferred to SCS by the U.S. Department of the Interior, from funds appropriated from the Abandoned Mine Reclamation Trust Fund. Coal miners pay 35 cents per ton of coal mined from surface mines and 15 cents per ton of coal from underground mining into this fund.

Colorado River Basin Salinity Control Implementation: The 1984 amendments to the Colorado River Basin Salinity Control Act, in Public Law 98-569, gave USDA a separate authority for developing and implementing a voluntary and cooperative on-farm salinity control program.

The Colorado River Salinity Control (CRSC) program objectives are to reduce salt loading in order to enhance and protect the quality of water available in the Colorado River for use in the United States and Mexico (Public Law 93-320, Colorado River Basin Salinity Control Act). Key provisions of the program are the nonFederal cost-share reimbursement requirements from the hydro-electric power revenues of the Upper and Lower Colorado River Basin development funds and the authority to cost-share with irrigation districts and canal companies. Major SCS activities include development of project plans, preparation of on-farm conservation plans, and provision of technical assistance to help land users apply salinity reduction practices and to help ensure that adequate irrigation water management is practiced.

SCS assisted the Agricultural Stabilization and Conservation Service and the Extension Service in developing the rules and regulations to implement the CRSC program. Implementation continued in the Grand Valley, McElmo Creek and Lower Gunnison projects in Colorado; Uinta Basin project in Utah; and the Big Sandy River project in Wyoming. A total of 280 contracts involving $14,783,000 in technical and financial assistance were executed in 1992. Annual salt load reductions resulting from these practice installations totaled 37,686 tons for the five projects. Joint planning with the Bureau of Reclamation on the Price-San Rafael project in Utah continued. Pre-implementation planning included investigations in the San Juan River Basin in New Mexico and the development of an environmental impact statement continued on the Moapa Valley project in Nevada.

Water Quality: SCS, Extension Service (ES), and the Agricultural Stabilization and Conservation Service (ASCS) support the USDA Water Quality Initiative (WQI) through education, technical and financial assistance. Nonpoint source hydrologic unit areas, water quality demonstration projects, regional project initiatives, and Agricultural Conservation Program water quality special projects are the principal assistance activities of the USDA WQI plan.

Nonpoint Source Hydrologic Unit Area Assistance (HUA). HUA's are selected to remedy state identified water quality problems. Projects are located in areas where impairment of water quality by agricultural nonpoint sources is significant. The projects are coordinated with state management programs developed under Section 319 of the Water Quality Act of 1987. SCS, ASCS and ES develop detailed plans of work for HUA's. Seventy-four areas have been selected and are under implementation. SCS water quality specialists are delivering planning and application assistance to farm and ranch operators, and SCS continued to upgrade and transfer water quality technology and information to cooperators as it was made available from technology development and data base efforts. ASCS provided financial assistance to agricultural operators to install planned water quality practices. SCS implemented a water quality project evaluation for selected HUA's. The water quality progress reporting system in each HUA was updated to capture water quality benefits to include nutrient and pesticide management indicators. Computer hardware and Field Office Computer System software was installed to inventory and collect natural resource and management activities by land tract and progress was made in using Agricultural Research Service (ARS) water quality computer simulation models to estimate HUA water quality benefits.

<u>Water Quality Demonstration Projects</u>. The demonstration projects represent geographic areas with specific combinations of agricultural activities and water resource conditions that impact water quality. Treatment practices are developed to remedy water quality problems, and through the farm demonstration process, these practices are expanded to other areas with similar agricultural and water quality conditions. SCS has worked in cooperation with ES, ARS, ASCS, the Cooperative State Research Service and the Economic Research Service to develop a comprehensive plan of work for the demonstration projects. Sixteen projects have been implemented and are providing assistance to land operators. Data has been gathered and compiled to establish a water quality baseline from which progress can be measured in meaningful terms such as the adoption of water quality practices in the immediate and adjacent areas, and an evaluation of the original eight demonstration projects started in FY 1990 is on-going to determine what is being accomplished and how to improve program delivery of the Water Quality Initiative. To assist in this evaluation, SCS and ES entered into a contract with the University of Wisconsin to conduct farm owner/operator surveys to determine adoption rates of water quality practices among USDA program participants and nonprogram participants and assess the effectiveness of water conservation practices in a competitive, for profit, farm setting. ASCS provided financial assistance in 1992 to assist agricultural operators in the adoption of water quality practices in demonstration projects.

<u>Regional Project Initiatives</u>. Regional projects include the Chesapeake Bay, the Puget Sound, Long Island Sound, Gulf of Mexico, Great Lakes, Land and Water 201, Lake Champlain and the National Estuaries Programs. USDA involvement in these projects is centered on reducing agricultural nonpoint pollution through ongoing programs that provide education, technical, and financial assistance to individual farmers, ranchers, and communities. A coordinated approach to monitoring and evaluation has been undertaken to determine the level of success of ongoing programs and to improve future efforts. The process focuses on reductions in pollutant loading; model extension of load reduction effects below the root zone and beyond the edge of the field; and measured change in the conditions of surface and groundwater conditions. It also includes an assessment of practices installed and the effects of these activities upon production agriculture. SCS involvement in the Regional Project Initiative included participation with state and local water quality agencies, other Federal agencies, and international representatives in developing overall plans of action to meet the nonpoint source water quality needs in the project areas, and technical assistance provided to agricultural operators in implementing the completed plans. In 1992, SCS accelerated technical assistance to plan, design, and implement best management practices to protect both surface and ground water by controlling nonpoint source point pollution from agricultural and urban lands and control excess animal wastes; provided technical standards and specifications for state cost-share programs; provided technical supervision and training for conservation district technicians; and provided outreach to encourage landowners/operators in critical areas to participate in nonpoint source implementation, phosphorus reduction, and erosion control. Watershed resource inventories for use by local action committees were developed; wetlands were identified and mapped; environmental assessments and tillage surveys were conducted; interagency agreements were signed to better facilitate and coordinate activities with other Federal agencies, State agencies, and international commissions and Provincial agencies; and SCS officials served on several committees with other Federal, State and International representatives to address common water quality concerns.

<u>Technology and Data Base Development</u>. Technology and data base development is used to provide policy, planning and implementation tools needed for the Water Quality Initiative. Information contained in the National Resources Inventory (NRI) and data bases in the areas of soil survey, agrichemicals, climatology, and plant materials is being integrated and compiled to provide relevant information that will focus water quality efforts on areas where combinations of factors (i.e., land use, crop productivity, agrichemical use, climate, soils, etc.) threaten both surface and/or groundwaters. SCS is updating water quality practices (i.e., pesticide management, nutrient management, agricultural waste management composting, constructed wetlands and filter strips) for the SCS Field Office

Technical Guides to reflect existing and new research results as they relate to local resource conditions; developed and conducted water quality training exercises for personnel in the agency as well as outside the agency; developed Geographic Information Systems which are used to evaluate specific site conditions, support water quality problem identification, and plan appropriate preventive measures; developed Field Office Engineering System (FOES) computer software to assist in the design of structural water quality practices; and reviewed the applicability of existing water quality simulation models to assist in progresss reporting, analysis, and evaluating water quality activities.

Interagency coordination for water quality activities includes the following efforts:

Conservation Liaison positions have been established in 10 EPA regional offices and EPA national headquarters to provide conservation support for nonpoint activities relating to Section 319 of the Clean Water Act. Thirty similar positions have been established to support state environmental agencies. An additional liaison position has been established with EPA, TVA and Southeastern Egg and Poultry Association. This position provides a liaison for water quality needs with the regional poultry association.

Direct coordination between SCS and the Extension Service continues through the Education and Technical Assistance Committee to support the implementation of Water Quality Initiative (WQI) elements. This committee oversees the selection, planning and implementation of the nonpoint source Hydrologic Unit Areas and the Regional Demonstration Projects. Committee representation includes ASCS, ARS, CSRS, ERS, FS, EPA, NOAA and USGS.

Research in the area of agricultural related nonpoint source pollution is being coordinated with ARS, FS, EPA and USGS through the interagency Technical Integration Group to develop necessary conservation practices, evaluation procedures and research plans.

To coordinate the SCS water quality effort, the agency has completed a Five-Year Water Quality Action Plan that identifies program and technology objectives and actions to implement the USDA WQI. This plan, in concert with the State Water Quality Plan and water quality supplements to the SCS Field Office Technical Guide, provides guidance for future water quality and quantity activities.

Resources Inventory and Monitoring: This work consists of collecting, interpreting, analyzing, and distributing natural resource and environmental data; and providing the results to users for strategic planning, resource conservation programming, and appraising. The major effort is directed toward collecting and reporting statistically reliable data on the status and condition of the resources on nonFederal lands, aiding in the interpretation and analysis of these data, and providing access to these data via modern computers and Geographic Information System technology. It also includes making special resource interpretation maps, reporting on wind erosion conditions in the Great Plains States, and conducting special inventories to detect any changes in resources such as the shelterbelts and wetlands. These activities provide technical resource data and interpret them for application in local land use and conservation decisions. The inventory and monitoring program is mandated by the Rural Development Act of 1972 (P.L. 92-419) and strengthened by the Soil and Water Resources Conservation Act (RCA) of 1977 (P.L. 95-192) and the Food Security Act of 1985 (P.L. 99-198), and the Food, Agriculture, Conservation and Trade Act of 1990 (P.L. 101-624).

Since the passage of the Rural Development Act of 1972, the Soil Conservation Service has completed three National Resources Inventories and is conducting the fourth NRI at 5 year intervals (1977, 1982, 1987, and 1992). The data elements collected during these inventories can be grouped into eight major categories: (1) soil characteristics and interpretations; (2) land cover, (3) land use; (4) erosion; (5) land treatment; (6) conservation treatment needs; (7) vegetative conditions; and (8) potential cropland.

Analysis and use of National Resources Inventory (NRI) data continues to address conservation and environmental issues and concerns such as those related to the 1985 and 1990 Farm Bills, water quality initiatives and changes in wetlands. NRI results are used for planning and program development at all SCS levels.

The Summary Report of the 1987 NRI data was published in December 1990. The primary emphasis of the 1987 NRI was to update the 1982 NRI data to detect trends in resource conditions between 1982 and 1987. The 1987 NRI provides information for state and national policy and program formulation, development of conservation legislation; allocation of funds, and placement of personnel. In addition, the data are used by other Federal agencies, state governments, universities, consultants, resource and conservation organization, and the media.

Specific concerns to which efforts are now being directed are as follows:

1. Streamlining data gathering and improving access to NRI data. Data collection for the 1992 NRI is scheduled for completion by June 1, 1993. The 1992 NRI was developed taking many factors into account, including data for analysis needed by March 1994 to aid in Farm Bill and RCA deliberations, and recommendations 1989 report entitled "Streamlining the National Resources Inventory Process". Work has started on building a unique and powerful trending computerized data base, featuring: site-specific natural resource information for three point in time (1982, 1987, and 1992); linkage to the agency's soils data bases, and spatial linkage to numerous other data bases.

2. Exploring techniques to improve inventory operations. Geographic information systems are being used and evaluated for providing data analysis and display. Developmental activities are being funded to better identify residue cover, seek water quality data, improve data collection procedures, use image processing and other technical tools, and link Forest Service inventory data with SCS databases. SCS is cooperating with the Economic Research Service, the National Agricultural Research Service, and the U. S. Geological Survey in the USDA Area Study Program, designed to provide chemical use and farming practice information in support of the USDA water quality initiative. Efforts are also underway to integrate data from other agencies with SCS data to create a more complete resource data base and expand analytic capabilities.

3. Reporting wind erosion conditions for the 10 Great Plains" States. Each year during the November 1 to June 1 wind erosion season, 541 counties in the Great Plains States prepare estimates of cropland, rangeland, and other land damaged by wind erosion; crops and cover destroyed on land not damaged; land prevented from damage by emergency tillage; and land in condition to blow. Also data are provided on the major factors contributing to wind erosion for the blowing season. The report is used for informational purposes, to alert conservationists and others on the extent and severity of wind erosion in the high-hazard areas and as a basis for planning and installing appropriate conservation measures.

4. Inventorying special resource problems. Periodic reports are prepared on short-duration natural phenomena that affect health, safety, and agricultural production. Examples are drought, hail, floods, hurricanes, tornadoes, volcanic eruptions, prolonged temperature extremes, fires, plant diseases, and insect infestations. These reports are used to inform the Department, news media, and others of the extent of these phenomena and their impact on SCS activities.

5. Special wetlands inventory. An update of the wetlands information in the 1987 NRI was conducted in 1991. Field visits for wetland determinations were made to a subsample of 1987 NRI sample sites. Scientifically valid estimates of wetland conversions on the United States non-Federal rural lands were compiled, on a nationwide basis, for the period 1982 to 1991. The results are being used for program planning and developing regulations.

Strategic Planning and Policy Analysis: SCS has leadership for the development and preparation of the resource appraisal, national conservation program, and statement of policy required by the Soil and Water Resource Conservation Act of 1977 (P.L. 95-192) (RCA), as amended by the Food Security Act of 1985 (P.L. 99-198). Activities carried out under this act, and authorities otherwise contained in the act of 1935 (P.L. 74-46), help SCS, USDA, and Congress, soil and water conservation districts, and other Federal, State, and local agencies identify the magnitude and complexity of soil and water resource problems; identify the present and likely future demands on the soil, water, and related natural resources of the Nation; formulate and resolve natural resource policy issues; and make needed shifts toward the highest priority conservation tasks.

SCS has implemented a formal strategic planning process. A strategic plan has been developed and approved by the SCS Chief and management officials throughout the Agency. The Chief and staff also consulted with a wide array of customer groups, such as the National Association of Conservation Districts, farm groups, environmental groups, and USDA Agencies and had input from the field staff to define the needs and expectations of SCS's clients. The strategies are to:

- Anticipate key natural resource issues and propose effective policies to address them.
- Encourage voluntary solutions to natural resource problems.
- Advocate total resource management.
- Promote the efficient management of water and the enhancement of its quality.
- Maintain a highly-skilled, diverse work force capable of providing quality customer-oriented service.

Initiatives are being incorporated into Annual Plans of Operations throughout SCS and a National plan for each strategy is being developed.

Resource Appraisal and National Conservation Program (NCP). "In 1980, the first Appraisal, authorized by P.L. 95-192, was issued and used to formulate the first NCP in 1982. The Second Appraisal, published in 1989 provided the basis for the 1988-97 NCP update. The Food Security Act of 1985 extends the RCA authority to 2008 and requires appraisals and NCP updates every 10 years.

The Third RCA Appraisal for 1995 is directed toward the achievement of a better understanding of the environmental relationships of alternative choices in agricultural production. It will:

- o Assess the condition and trends of soil, water, and related resources on nonfederally owned lands.

- o Project the short and long-term environmental quality and sustained agricultural conditions which would be attained under alternative agricultural production, conservation, commodity, environmental, and trade policies and their affect on the environment, producers, and the economic, social, and institutional structure of rural America.

- o Evaluate Federal/state/local conservation partnerships to further the protection, conservation, and enhancement of the environment for sustained production.

- o Assess the use, management, and conservation of cropland, forestland, rangeland, pastureland, and wetlands in meeting the role of total resource management and multiple conservation benefits.

- o Address emerging resource issues and tradeoffs.

The 1988-97 National Conservation Program Implementation. The key components of the 1988-97 NCP are to increase:

-- Concentration on problems identified as national priorities (i.e., reducing excessive soil erosion an protecting water quality and quantity).

-- Cooperating with members of the conservation partnership of Federal, State and local agencies and private organizations.

-- Consistency between conservation programs and other farm programs to ensure that all USDA farm programs support conservation goals.

SCS has made progress in developing and implementing actions to support each of the program components. For example, the erosion priority is being addressed under the terms of the Food Security Act. In response to the President's Water Quality Initiative, SCS is evaluating the extent to which USDA water quality projects are cost effectively protecting and improving waters from agricultural nonpoint source pollution.

<u>SCS's expanded capability for policy analysis</u>. Examples of specific initiatives to which efforts are being directed include:

-- The development of a long-range strategic plan for defining the issues which are critical to the future of SCS.

-- Model development to evaluate the impact of alternative conservation policies on soil, water, and wildlife resources at the farm, regional, and national levels.

-- Strengthen the conservation partnership by: cooperating with the University of Tennessee to develop sustainable agriculture enterprise budgets for limited resource farms in the mid-South; providing leadership for assessing the impact of the USDA/1890 Institution initiatives; and providing financial support of a pilot program in 10 states for building the leadership capacity of the Soil and Water Conservation Districts.

-- Evaluating the water quality demonstration projects authorized under USDA's 5-Year Water Quality Plan. In the 16 projects, an evaluation was made of the effectiveness of the demonstration approach for achieving voluntary, cost-effective, accelerated adoption of water quality protection measures.

<u>SOIL SURVEYS</u>

<u>Current Activities</u>: The SCS has leadership for the National Cooperative Soil Survey (NCSS). It is the only soil survey conducted by Federal, State, and local units of government and State Agricultural Experiment Stations. The NCSS is the process through which soils are studied in the field and in the laboratory. They are described and the boundaries plotted on aerial photographs. Soil interpretations explain alternative uses and behavior of the soils. The results of research on soils and of experience in using them contribute to these explanations.

The objective of the NCSS is to provide and maintain soils information in both published copy and digital copy that meets the users needs and supports those users in the use of that information. Digital data is provided at three levels of generalization. Soil Survey Geographic Data Base (SSURGO) is the most detailed level of information and is used primarily by landowners, townships, counties or parishes, and watershed hydrologic units for planning and resource management. State Soil Geographic Data Base (STATSGO) is used primarily for multi-county, state, and river basin planning and resource management and monitoring. National Soil Geographic Data Base (NATSGO) is used primarily for multistate, regional, and national planning and resource appraisal, monitoring, and appraisal. Soils information is used by many Federal, State, and local organizations, and individuals.

Because of the Geographic Information System (GIS) technology, these agencies, organizations and individuals have increased their demand for a computerized digital copy of this basic resource information. This technology has also increased the kinds of interpretations requested by old and new users, and has led to an increased workload for updating and maintaining existing soil information in a digital format. About 10 percent of the completed soil surveys are now available in digital format.

The first soil surveys made were primarily for agricultural purposes. In about 1950, the soil survey program was revised and soils were identified and classified using basic soil properties. This enabled soils to be interpreted for additional users such as urban planners, engineers and other resource managers. By identifying the additional soil properties important to these particular users the usability of soil surveys was expanded. The National Soil Information System (NASIS), currently being developed, will further expand the usability of soil surveys. This information system will make information on soil properties available electronically for each soil survey.

A system of soil classification used in making soil surveys, called Soil Taxonomy, has been developed by SCS in cooperation with other interested agencies of State and local governments and many foreign contributors. Close adherence to this system allows knowledge and experience gained from one soil in one area to be used in other areas where the same kind of soil occurs. This is extremely useful since soil properties are rarely uniform over broad areas.

A soil survey is the basic inventory that forms the foundation for most SCS programs. It also provides information critical for water quality, waste disposal and wetland programs for other agencies. It is the basis for determining the potential soil erosion hazard, wetlands, susceptibility or potential for ground water contamination, and suitability and productivity for cultivated crops, grasses, and trees. It is the basis for the conservation alternatives SCS provides to those who request assistance. It enables land users to predict how each kind of soil will respond to use, management, and treatment. Soil surveys are also of importance to planners, engineers, zoning commissions, tax commissioners, homeowners, developers, and others. Many have suffered severe losses when facilities were located on unsuitable soils for which appropriate treatment was not provided to compensate for unfavorable soil conditions. In many instances, the use of soil survey information in construction site selection can decrease initial construction cost as well as maintenance cost.

Soil surveys also provide a basis to help predict the impact of global warming on worldwide agricultural production and other land dependent processes. SCS provides soil scientists to assist users in understanding and in adapting the soil survey information to their particular needs.

Selected Examples of Recent Progress: As of September 30, 1992, soil maps that meet the current standards for all potential users had been prepared on nearly 1.7 billion acres or about 73 percent of the country. During FY 1992, SCS soil scientists mapped and updated 25,466,386 acres, and another 4,975,753, acres were mapped and updated by other Federal, State, and local agencies in cooperation with SCS for a total of 30,442,139 acres mapped in FY 1992.

Soil mapping priority is currently being directed toward completion of all previously unmapped private lands and updating mapping and interpretations that no longer meet user needs and requirements.

State, local, and other Federal agencies involved in the NCSS provide about 15 percent of the funds and 20 percent of the personnel services used to produce soil maps and interpretive data.

Soil Survey Publications: A total of 53 soil surveys were edited and sent to the Government Printing Office during FY 1992. Soil surveys for 52 counties or soil survey areas were published in FY 1992.

SNOW SURVEY AND WATER SUPPLY FORECASTING

Current Activities: Snowmelt provides about 80 percent of the stream flow in the west. SCS conducts snow surveys and develops water supply forecasts for water users in 11 Western states and Alaska. Agriculture, municipal, industrial, recreation and fish and water users are the primary recipients of these forecasts, but wildlife activities also use them to carry out their mission.
Data from some 900 manual snow courses and 572 automated SNOTEL (for snow telemetry) sites along with 600 stream gauges, 310 reservoirs, and 1,200 precipitation stations and 2,000 climatological stations are used to generate user products through an automated centralized forecasting system. These measurements are made by SCS in cooperation with other Federal, State and local agencies, power companies, irrigation companies, and the Provincial Government of British Columbia. Numerous routine and interactive programs for manipulating hydrologic and meteorologic data are included in programs within the system. These are mainly intended to aid in applying snow survey program information to conservation activities at the field office level.

Water supply forecasts are issued cooperatively with the National Weather Service beginning in January and concluding in June. The water forecasts help irrigators make the most effective use of available streamflow for agricultural production needs. Other Federal agencies and private organizations also use water supply forecast information to help them carry out their missions. These forecasts also help the Federal government in administering international water treaties. State governments use the information in managing intrastate streams and interstate water compacts. Municipalities uses the forecasts to plan the management of the anticipated water supply early in the year. The operation of reservoirs satisfying multiple-use demands is also heavily dependent on timely, accurate water supply forecasts.

The upgrade of the SNOTEL system has been completed and now the focus of program activities shifts into the area of improving precision in information measurement, transmission and timely transferring to the public. The present data collection of the SNOTEL system is somewhat limited, which results in shortfalls of required moisture and temperature data for forecasting and modeling purposes. In an attempt to broaden the scope of the data network, a pilot project has been implemented to apply meteor burst technology to other applications, such as wind erosion monitoring and water quality.

PLANT MATERIALS CENTERS

Current Activities: Plant Materials Centers (PMC's) are operated by or receive technical assistance from SCS for assembling, testing, selecting, releasing, and providing for the commercial production of plants and the development of techniques for their effective use for protecting our natural resources of soil, air, water plants and animals where existing plants and methods are not suitable or available. Priority of work is determined by the objectives and priorities of the National Conservation Program, SCS Strategic Initiatives for the 1990's and specific conservation problems within each PMC's service area. Special emphasis is currently being placed on: (1) reducing erosion from cropland by selecting cover crops and developing systems for their use to provide winter cover on low residue crops such as cotton, and soybeans; (2) improving and protecting the quality of surface and groundwater by developing filter strips between cropland and streams; and artificial wetlands for removing pollutants from waste water; (3) protecting grazing resources, range, pasture and forestland by developing higher producing, longer-life native forage varieties and managing desirable plants to control the spread of noxious weeds; (4) protecting upland riparian areas and coastal shorelines; (5) developing plants and systems for their use that support low input sustainable agriculture such as grass hedges for terrace building or replacing annual forage crops with perennial plants for use on highly erodible cropland; (6) creating or restoring wetlands; and (7) accelerating commercial production of previously released conservation plants in high demand for use in the Conservation Reserve Program.

In April of 1992, a Plant Materials Centers Program Strategic Plan was approved which identified several areas of focus for the Program in future years. Some of the areas of concern, include: adoption of the latest technology available, accelerating technology transfer activities (collection and use of royalties from new plant releases), meeting the needs of geographical areas that are the greatest distances from PMC's and support the recovery of endangered species.

Improvement in the automation of data gathering is progressing on schedule which will result in faster technology transfer to the end user of plant materials results. The work at the centers includes cooperation with other Federal and State agencies, agriculture experiment stations, State departments of natural resources, conservation, wildlife, and seed and nursery associations to encourage production and promotion of improved plants. Plant Materials Centers and the National Park Service are cooperating nationally to revegetate sites disturbed in parks with plant materials for the disturbed site.

Twenty-two PMC's are operated by SCS and four by cooperating agencies or by others. They are:

Operated by SCS:

Tucson, Arizona
Booneville, Arkansas
Lockeford, California
Brooksville, Florida
Americus, Georgia
Molokai, Hawaii
Aberdeen, Idaho
Manhattan, Kansas
Quicksand, Kentucky
Golden Meadow, Louisiana
Beltsville, Maryland
East Lansing, Michigan
Coffeeville, Mississippi
Elsberry, Missouri
Bridger, Montana
Cape May, New Jersey
Big Flats, New York
Corvallis, Oregon
Kingsville, Texas
Knox City, Texas
Nacagdoches, Texas
Pullman, Washington

Operated by Cooperating Agencies with Technical Assistance and Funding by SCS:

Los Lunas, New Mexico (New Mexico State University)
Bismarck, North Dakota (North Dakota Association of SCD's)
Meeker, Colorado (White River and Douglas Creek Soil Conservation ·stricts with partial funding from SCS)

Other:

In addition to the 25 centers listed above, the State of Alaska operates a PMC at Palmer. SCS provides technical assistance to this center through cooperative agreement.

Comparative Plant Testing: During FY 1992, approximately 19,200 domestic and foreign plant collections were being comparatively evaluated in over 56,000 plots at the PMC's. These pla·ts are being evaluated for cropland cover crops, artificial wetlands, protecting range, pasture and forest resources, stabilizing critical areas such as sand dunes, streambanks, and shorelines, road cuts and fills, utility corridors and surface mined lands, grass hedges, and replacement of annual forage plants with perennial and for wind breaks to protect cropland. The final evaluation of new plants and cultural methods is made on farms and ranches in conservation districts under actual use conditions. There are over 2,100 such tests underway now.

Plant Releases for Commercial Production: The SCS, over the years, has released over 325 different varieties of conservation plants to commercial producers. Some varieties have been replaced with superior plants. Currently, over 231 improved varieties are in commercial production and use in conservation programs. Nine new releases went to commercial producers in 1992.

Commercial production of SCS released conservation plants in FY 1991 was approximately 23 million pounds of seed and 28 million plant seedlings. PMCs expanded production in 1990 of previously released plants to meet the demand of commercial producers who are supplying the conservation reserve program needs. This demand has now peaked. The commercial value of this production was approximately $70.0 million.

Plants for Solving Conservation Problems: Some of the major soil conservation problems for which plants are currently being evaluated including emphasis on emerging problems are as follows:

1. Cropland erosion. Conservation plants that are both compatible with the cropping systems and reduce erosion are being developed. This will assist future conservation compliance efforts. The Americus Georgia PMC will release an improved clover and hairy vetch in 1993. Work published by the Jamie L. Whitten Mississippi PMC, which showed that no-till cotton production is as high or higher than conventional tillage is being widely accepted by landowners.

2. Water Quality. The use of constructed wetlands for improving the quality of water coming from agricultural waste is being evaluated at PMC's in Georgia, Oregon, Kentucky, Idaho and New Mexico. Four PMC's are currently evaluating grass and other plant species for their ability to uptake plant nutrients from runoff or from the soil profile. This work is being published and incorporated into SCS specifications.

3. Wetland restoration and creation. The New jersey and Louisiana PMC's are continuing efforts to restore salt water marshes in coastal areas. Four PMC's have initiated studies that will lead to species and methodology for creating fresh water wetlands. The Jamie L. Whitten PMC is publishing a national list of all sources of wetland plants. These PMC's are developing alternative release procedures to get plants to the client more quickly.

4. Range, pasture and forest grazing lands. Protecting range, pasture and forest grazing lands and improving forage quality and quantity continues to receive special emphasis particularly on low fertility, shallow, saline, or alkaline soils, and for use in arid and semiarid areas.

5. Low input sustainable agriculture. Plants and systems are being developed to support low input sustainable agriculture. There is a growing emphasis and priority at PMC's to address this potential. One example is:

   -- Replacing corn silage with a perennial grass. Because there is no residue remaining following the harvest of corn silage, the land is exposed to surface erosion over the winter. This is a particular problem where corn silage is commonly grown on sloping land. Perennial grasses which produce 60-70 percent as much total digestible nutrients as corn show potential. Such grasses will reduce fertilizer, energy and herbicide input significantly and eliminate erosion.

Renovation of Facilities and Equipment at Plant Materials Centers: FY 1992 was the third of a five-year program to renovate facilities and equipment at PMC's. All centers participated in FY 1992, with seven PMC's constructing new buildings or making major additions or alterations to existing buildings. This program will significantly improve the efficiency and capability of PMC's when completed.

USDA Plant Names Data Base:

A data base became available for use by all USDA agencies, other Departments, universities, and private groups called Plant List of Accepted Nomenclature, Taxonomy and Symbols (PLANTS), that standardizes the use of plant names. It is now in use and is part of the USDA Easy Access evaluation.

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

<u>Great Plains Conservation Program</u>

For necessary expenses to carry into effect a program of conservation in the Great Plains area, pursuant to section 16(b) of the Soil Conservation and Domestic Allotment Act, as added by the Act of August 7, 1956, as amended (16 U.S.C. 590p(b)), [$25,271,000] <u>$16,307,000</u>, to remain available until expended (16 U.S.C. 590p(b)(7)).

Great Plains Conservation Program

Appropriation Act, 1993	$25,271,000
Budget Estimate, 1994	16,307,000
Decrease in Appropriation	-$8,964,000

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

Item of Change	1993 Estimated	Other Changes	1994* Estimated
Great Plains Conservation Program:			
1. Cost-sharing assistance	$16,367,000	-$60,000	$16,307,000
2. Cost-share program and contract administration	2,849,000	-2,849,000	-0-
3. Technical assistance	6,055,000	-6,055,000	-0-
TOTAL AVAILABLE	$25,271,000	-$8,964,000	$16,307,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1992 Amount	1992 Staff-Years	1993 estimated Amount	1993 estimated Staff-Years	Increase or Decrease	1994 estimated* Amount	1994 estimated* Staff-Years
Great Plains Conservation Program:							
1. Cost-sharing assistance	$16,179,000	--	$16,367,000	--	-$60,000	$16,307,000	--
2. Cost-share program and contract administration	2,909,000	52	2,849,000	53	-2,849,000	-0-	--
3. Technical assistance	6,183,000	120	6,055,000	114	-6,055,000	-0-	--
Total Appropriation	$25,271,000	172	$25,271,000	167	-$8,964,000	$16,307,000	--

*NOTE: The technical assistance and related staff years are reflected in the Salaries and Expenses account for the Farm Service Agency in 1994.

PROJECT STATEMENT
(On basis of available funds)

Project	1992 Amount	1992 Staff-Years	1993 estimated Amount	1993 estimated Staff-Years	Increase or Decrease	1994 estimated* Amount	1994 estimated* Staff-Years
Direct obligations:							
Great Plains Conservation Program:							
1. Cost-sharing assistance	$17,529,290	--	$16,730,506	--	-$423,506	$16,307,000	--
2. Cost-share program and contract administration	2,901,484	52	2,849,000	53	-2,849,000	-0-	--
3. Technical assistance	6,165,652	120	6,055,000	114	-6,055,000	-0-	--
Total direct oblig	26,596,426	172	25,634,506	167	-$9,327,506	16,307,000	--
Unobligated balance brought forward	(-1,688,931)	(--)	(-363,506)	(--)	(+363,506)	(--)	(--)
Unobligated balance carried forward	(+363,506)	(--)	(--)	(--)	(--)	(--)	(--)
Adjusted appropriation	(25,271,000)	(172)	(25,271,000)	(167)	(-8,964,000)	(16,307,000)	(--)
Reimbursable oblig	7,943	--	20,000	--	-20,000	-0-	--
Obligational authority	$26,604,369	172	$25,654,506	167	-$9,347,506	$16,307,000	--

*NOTE: The technical assistance and related staff years are reflected in the Salaries and Expenses account for the Farm Service Agency in 1994.

SOURCES OF REIMBURSEMENTS

Project	1992 Actual	1993 estimated	Increase or Decrease	1994 estimated
Federal Sources..................	$660	$16,000	-$16,000	-0-
Other Non-Federal Sources.........	7,283	4,000	-4,000	-0-
Total reimbursements..............	$7,943	$20,000	-$20,000	-0-

OUTLAYS

Project	1992 Actual	1993 estimated	Increase or Decrease	1994 estimated
Great Plains Conservation Program:				
1. Cost-sharing assistance........	$13,702,708	$14,711,000	+$2,350,000	$17,061,000
2. Cost-share program and contract administration................	2,859,554	2,853,000	-2,625,000	228,000
3. Technical assistance...........	6,076,552	6,064,000	-5,580,000	484,000
Total Outlays.....................	$22,638,814	$23,628,000	-$5,855,000	$17,773,000

EXPLANATION OF PROGRAM

Authorization: The appropriation for "Great Plains Conservation Program" funds Soil Conservation Service activities authorized under Section 16(b) of the Soil Conservation and Domestic Allotment Act (PL 74-46) as amended by PL 84-1021. PL 101-624 amended PL 84-1021 to extend the Great Plains cost-share contracting authority to September 30, 2001.

Authorization limits: Total cumulative appropriations of $1,000,000,000 are authorized for cost-sharing. Cost-sharing payment in any one fiscal year may not exceed $50,000,000. Through September 30, 1992, $384,259,372 have been paid out in cost-shares.

This program is in addition to other USDA soil and water conservation programs in the counties designated for participation, and is coordinated with programs and objectives of locally managed conservation districts, State agencies, and community groups.

	Acres (in 000's)
Potential Workload:	
Estimated acreage in the 556 designated counties that could come under Great Plains contracts........................	210,000
Current Activity:	
Land under active contracts as of September 30, 1992........	19,384

The purpose of the program is to assist farmers and ranchers in planning and applying resource management systems on their farms and ranches to prevent or reduce the effects of the climatic hazards of the area. Benefits to be achieved are protection and improvement of soil, water, plant, and wildlife resources through reduction of erosion and sedimentation, and abatement of agriculture-related pollution. A secondary benefit of the program is its impact on stabilizing the local economy. Payments are made to program participants for a share of the cost of installing eligible conservation practices scheduled in contracts, including, among others, terraces, permanent vegetative cover, re-establishing grasslands and pipelines.

PROGRAM RESULTS		FY 1992: Actual	FY 1993: Estimate	FY 1994 Estimate
Active Contracts - beginning of year.........		5,780:	6,336:	6,536
New Contracts signed........................	Annual	1,185:	1,200:	1,150
	Cumulative	69,479:	70,679:	71,829
Contracts Completed and Terminated...........	Annual	-629:	-1,000:	-1,000
	Cumulative	62,989:	63,989:	64,989
Active Contracts - end of year..............		6,336:	6,536:	6,686
Active applications on hand beginning of year		2,580:	2,700:	3,000
Active applications on hand end of year......		2,700:	3,000:	3,400
Number of participants serviced..............	Annual	6,965:	7,536:	7,686
Acres in new contracts (1,000)...............	Annual	4,036:	3,660:	3,508
Acres treated (1,000)	Cumulative	151,113:	154,773:	158,281

JUSTIFICATION OF INCREASES AND DECREASES

A net decrease of $8,964,000 which reflects the following:

(a) A decrease of $60,000 in financial assistance which reflects the streamlining of the agency.

(b) A decrease of $8,904,000 which reflects the Administration policy of establishing a single Farm Services Agency in which technical assistance in all SCS programs will be combined with ASCS and FmHA into a single "salaries and expenses" account.

Need for Change. The decrease in funds is necessary to streamline USDA operations to achieve more efficient and effective farm services.

Nature of Change. The funding decrease is associated with streamlining USDA farm services by consolidating staffs and offices into a single Farm Service Agency. The funds decreased are being included in a single "Salaries and Expenses" acount for a USDA Farm Service Agency.

SOIL CONSERVATION SERVICE
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1992 and Estimated 1993 and 1994
GREAT PLAINS CONSERVATION PROGRAM

	1992		1993		1994	
	AMOUNT	STAFF YEARS	AMOUNT	STAFF YEARS	AMOUNT	STAFF YEARS
COLORADO	$2,076,848	15	$2,116,665	14	$1,275,800	--
KANSAS	2,528,977	16	2,541,164	15	1,628,000	--
MONTANA	2,33[illegible],541	16	2,261,895	15	1,549,000	--
NEBRASKA	2,394,001	16	2,438,985	15	1,600,000	--
NEW MEXICO	1,925,160	8	1,389,756	8	940,600	--
NORTH DAKOTA	1,867,200	14	1,873,648	14	1,193,700	--
OKLAHOMA	1,897,696	12	1,976,130	12	1,341,800	--
SOUTH DAKOTA	2,443,833	17	2,327,177	16	1,437,900	--
TEXAS	6,619,011	39	6,248,260	38	4,122,500	--
WYOMING	1,640,253	10	1,681,986	10	1,117,700	--
FORT WORTH NTC	99,905	1	90,213	1	--	--
LINCOLN NTC	55,000	1	66,156	1	--	--
PORTLAND NTC	55,001	1	56,133	1	--	--
NATIONAL HDQTRS	658,000	6	566,338	5	--	--
Total available or estimate	$26,596,426	172	$26,959,931	165	$16,307,000	--

GREAT PLAINS CONSERVATION PROGRAM

STATUS OF PROGRAM

CURRENT ACTIVITIES: The Great Plains Conservation Program, authorized by Public Law 96-263, provides assistance, under long-term contracts, to land users in 556 designated counties of the 10 Great Plains States. It is designed to provide needed protection and improvement of soil, water, plant, and wildlife resources of the unique Plains area, which is plagued with recurring drought, and severe erosion from wind and water. Selection of suitable land uses and installation of complete conservation treatment and management systems on farms and ranches in the area are made through reduction of wind and water erosion, abatement of agriculture related pollution and water conservation measures.

PROGRAM ASSIGNMENTS

The Soil Conservation Service has responsibility for administration of the Great Plains Conservation Program. State and county program committees participate in program development and coordination of activities. The Agricultural Stabilization and Conservation Service (ASCS) certifies that cost-share payments are not duplicates of payments made under programs administered by ASCS and searches the claim control record to determine whether amounts due to the Federal Government should be set off against cost-share payments and that participants are not in violation of FACT Act highly erodible land and wetland conservation provisions.

PROGRAM, ADMINISTRATIVE, AND TECHNICAL ASSISTANCE

Technical services of soil and range conservationists, engineers, agronomists and other agricultural specialists are provided to help install sound conservation programs adapted to each farm or ranch. These services include:

(a) Cost-share program and contract administration. This includes: overall program direction and administration; technical assistance for processing applications for program participation; development of average costs; determining cost-share obligations; preparing contracts; and contract administration to ensure that contract provisions are met. Contracts are based on conservation plans of operations which outline resource management systems by land use.

(b) Technical assistance to help install planned conservation practices. Farmers and ranchers contract to complete their plan of conservation operations as scheduled. Assistance in practice installation is provided when needed for site selection, topographic surveys, detailed designs, practice layout, and completion. Technical assistance is also furnished to help cooperators perform required noncost-shared management features such as planned grazing systems, irrigation water management, and crop residue management on cultivated land.

SCS installation services are committed for contracted practices during the duration of the contract which runs from 3 to 10 years. Technical assistance is made available to help install practices scheduled for installation by local staffs at each field office. In 1992, 120 staff-years were used for technical services.

COST-SHARING ASSISTANCE

Cost-share payments normally vary from 25 to 80 percent of the costs incurred by program participants for installation of eligible conservation practices. The average federal cost for applying conservation work in a contract is 38 percent. Financial assistance enables cooperators to install conservation practices in the proper sequence as scheduled in long term contracts. Determination of a county's eligibility for participation in the program is based on conservation needs and interests of local people. The physical factors for consideration include susceptibility of the land to serious soil erosion, and the need for changes in land use, cropping systems, and grassland management. The responsibility for determining local interest in the program rests with the State Program Committee. At the end of

FY 1992, the following characterizes program participation and shows number and acres of active contracts by State:

State	Designated Counties	Active Contracts 9/30/92 Number	Acres	FY 92 Actual Cost-sharing Payments	Total Direct Obligations	Staff Yrs.
Colorado........	38	570	1,477,500	$1,344,875	$2,076,848	15
Kansas..........	62	1,169	622,946	998,063	2,528,977	17
Montana.........	46	384	2,566,036	1,435,819	2,335,541	16
Nebraska........	65	631	1,457,817	1,672,451	2,394,001	17
New Mexico......	27	197	3,081,197	693,293	1,925,160	8
North Dakota....	48	591	1,159,351	1,073,151	1,867,200	14
Oklahoma........	44	554	541,789	1,087,372	1,897,696	12
South Dakota....	51	618	2,462,374	1,279,125	2,443,833	18
Texas...........	156	1,349	3,550,939	3,332,544	6,619,011	40
Wyoming.........	19	273	2,464,200	785,915	1,640,253	10
National Technical Centers... 1/	- -	- -	- -	- -	209,906	3
National Hdqtrs.	- -	- -	- -	- -	658,000	6
Total GPCP......	556	6,336	19,384,149	$13,702,608	$26,596,426	176

1/ Includes management, program, and technical guidance provided through National Technical Centers as follows:

Lincoln, Nebraska....	$55,000
Fort Worth, Texas....	99,906
Portland, Oregon.....	55,001

Farms and ranches under contract at the end of FY 1992 average 3,059 acres in size and obligate a total of $37,890,911 in cost-share. A total of 151,113,252 acres have been included in cost-share contracts since the program began.

CONSERVATION ACCOMPLISHMENTS

The following information identifies how the 1992 cost share funds were obligated by land use and by problem level within each land use. The land in the severe problem category is expected to be in the moderate or slight problem category at the end of the contract.

LAND USE		SEVERE	MODERATE	SLIGHT	TOTAL
Rangeland........	Acres	685,673	1,501,042	947,992	3,134,707
	Obligations	$3,732,948	$4,253,598	$437,629	$8,424,175
Non-irrigated Pastureland....	Acres	17,173	56,091	45,548	118,812
	Obligations	$610,975	$804,472	$115,263	$1,530,710
Irrigated Cropland & Pastureland....	Acres	12,636	25,641	88,578	126,855
	Obligations	$393,636	$550,715	$111,552	$1,055,903
Non-irrigated Cropland.......	Acres	213,959	205,291	180,949	600,199
	Obligations	$2,959,167	$1,057,831	$378,875	$4,395,873
Convert cropland to grassland....	Acres	22,322	13,960	5,965	42,247
	Obligations	$855,719	$468,090	$43,705	$1,367,514
Other............	Acres	10,432	217,639	41,462	269,533
	Obligations	$253,708	$342,767	$113,606	$710,081
TOTAL............	Acres	962,195	2,019,664	1,310,494	4,292,353
	Obligations	$8,806,153	$7,477,473	$1,200,630	$17,484,256

Problem categories are defined as follows:

<u>Slight Problem</u> - The land unit has very few or minor conservation treatment needs and can be adequately protected from resource degradation by appropriate management measures and techniques.

<u>Moderate Problem</u> - The land unit has fragile features and is susceptible to degradation from climatic and other hazards. It is in need of conservation treatment. Productive use of the unit can be accomplished and maintained through a combination of management and enduring (usually cost-shared) treatment measures.

<u>Severe Problem</u> - The land unit has high susceptibility to degradation and deterioration and has high need for conservation treatment. Although productive use of the resource may or may not be advisable, it can be adequately protected through extensive management of the fragile resource combined with enduring conservation treatment measures.

WIND EROSION CONDITIONS IN THE GREAT PLAINS
For the 1991-1992 Wind Erosion Season

Wind erosion reports submitted from 541 counties in which wind erosion was prevalent during the 1991-1992 season, showed that total land damage this year is 4.3 million acres and is 1.4 million acres below the 35 year average.

Continuing drought which resulted in insufficient cover and inadequate snow cover were reported in the Northern Plains which reported 2.8 million acres damaged, about the same as last year.

The 541 counties reported 4,325,126 acres damaged through the end of May. Of the total land reported damaged 93 percent (4,041,596 acres) was cropland.

Crops or cover were destroyed on 300,124 acres of land.

Emergency tillage to prevent land damage was reported in the amount of 1,227,205 acres.

Land reported in condition to blow was 16,059,539 acres.

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Resource Conservation and Development

For necessary expenses [in planning] and carrying out projects for resource conservation and development and for sound land use pursuant to the provisions of section 32(e) of title III of the Bankhead-Jones Farm Tenant Act, as amended (7 U.S.C. 1010-1011; 76 Stat. 607), [and] the provisions of the Act of April 27, 1935 (16 U.S.C. 590a-f), and the provisions of the Agriculture and Food Act of 1981 (16 U.S.C. 3451-3461), [$32,516,000] <u>$5,828,000</u>: Provided, That [$600,000] <u>$616,000</u> in loans may be insured, or made to be sold and insured, under the Agricultural Credit Insurance Fund of the [Farmers Home Administration] <u>Farm Service Agency</u> (7 U.S.C. 1931)[: Provided further, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C 2225), and not to exceed $50,000 shall be available for employment under 5 U.S.C. 3109].

Resource Conservation and Development

Appropriation Act, 1993	$32,516,000
Budget Request, 1994	5,828,000
Increase in Appropriation	-$26 688,000

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

Item of Change	1993 Estimated	Other Changes	1994* Estimated
Resource Conservation and Development:			
1. Technical assistance	$26,781,000	-$26,781,000	--
2. Financial assistance	5,675,000	+153,000	$5,828,000
3. Loan services	60,000	-60,000	--
TOTAL AVAILABLE	$32,516,000	-$26,688,000	$5,828,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1992 Amount	1992 Staff Years	1993 estimated Amount	1993 estimated Staff Years	Increase or Decrease	1994 estimated* Amount	1994 estimated* Staff Years
Resource Conservation and Development:							
1. Technical assistance	$25,929,000	488	$26,781,000	433	-$26,781,000	--	--
2. Financial assistance	6,527,000	--	5,675,000	--	+153,000	$5,828,000	--
3. Loan services	60,000	2	60,000	2	-60,000	--	--
Total available	$32,516,000	490	$32,516,000	435	-$26,688,000	$5,828,000	--

*NOTE: The technical assistance and related staff years are reflected in the Salaries and Expenses account for the Farm Service Agency for 1994.

PROJECT STATEMENT
(On basis of available funds)

Project	1992 Amount	1992 Staff Years	1993 estimated Amount	1993 estimated Staff Years	Increase or Decrease	1994 estimated* Amount	1994 estimated* Staff Years
Resource Conservation and Development:							
1. Technical assistance	$31,323,945	488	$27,884,000	433	-$27,884,000	--	--
2. Financial assistance	2,234,289	--	7,197,281	--	-1,369,281	$5,828,000	--
3. Loan services	60,000	2	60,000	2	-60,000	--	--
Total direct oblig	$33,618,234	490	$35,141,281	435	-$29,313,281	$5,828,000	--
Unobligated balance brought forward	(-3,727,515)	(--)	(-2,625,281)	(--)	(+2,625,281)	(--)	(--)
Unobligated balance carried forward	(+2,625,281)	(--)	(--)	(--)	(--)	(--)	(--)
Appropriation total	(32,516,000)	(490)	(32,516,000)	(435)	(-26,688,000)	(5,828,000)	(--)
Reimbursable obligations:							
Resource Conservation and Development:							
(a) Technical assistance	368,871	6	288,000	6	-288,000	--	--
(b) Financial assistance	585,604	--	712,000	--	--	712,000	--
Total reimbursable obligations	954,475	6	1,000,000	6	-288,000	712,000	--
Obligational authority	$34,572,709	496	$36,141,281	441	-$29,601,281	$6,540,000	--

*NOTE: The technical assistance and related staff years are reflected in the Salaries and Expenses account for the Farm Service Agency for 1994.

SOURCES OF REIMBURSEMENTS

Project	1992 Actual	1993 Estimated	Increase or Decrease	1994 Estimated
Federal Sources........	$596,707	$ 746,000	-$200,000	$546,000
Non-Federal Sources....	357,768	254,000	- 88,000	166,000
Total Reimbursements...	$954,475	$1,000,000	-$288,000	$712,000

OUTLAYS

Project	1992 Actual	1993 Estimated	Increase or Decrease	1994 Estimated
Resource Conservation and Development:				
(a) Technical assistance.......	$28,187,424	$26,973,000	-$23,998,000	$2,975,000
(b) Financial assistance.......	4,817,000	6,782,000	-1,341,000	5,441,000
(c) Loan services....	60,000	60,000	-60,000	--
Total Outlays..........	$33,064,424	$33,815,000	-$25,399,000	$8,416,000

EXPLANATION OF PROGRAM

The appropriation "Resource Conservation and Development" funds the activities authorized under Section 32(e) of Title III of the Bankhead-Jones Farm Tenant Act (Public Law 75-210), as amended and the Soil Conservation and Domestic Allotment Act of April 27, 1935, (Public Law 74-46), as amended and the provisions of the Agriculture and Food Act of 1981 (16 U.S.C. 3451-3461). Program assistance provided in authorized RC&D areas includes financial assistance under this appropriation and technical assistance for planning, implementation, and loan services under the proposed Farm Services Agency salaries and expenses appropriation.

Technical Assistance: Technical assistance is provided under the proposed Farm Services salaries and expenses appropriation.

Financial Assistance: Financial assistance is provided to eligible sponsors to install approved measures. Priority is given to measures related to erosion and sediment control (critical area treatment), flood prevention and farm irrigation, and efficiency in water short areas. Other purposes include soil and water management for control of agriculture-related pollutants, public water-based recreation developments, and public water-based fish and wildlife developments.

Loan Services Assistance: Loan services are provided under the proposed Farm Services Agency salaries and expenses appropriation.

MAIN WORKLOAD FACTORS

	1992 Actual	1993 Estimate	1994 Estimate
Status of Authorized RC&D Areas:			
RC&D areas authorized at beginning of year	209	236	247
New RC&D areas deauthorized during year	0	0	0
New RC&D areas authorized during year	27	11	0
RC&D areas authorized at end of year	236	247	247
Unserviced applications on hand	52	50	75
RC&D Measures:			
Financially assisted:			
In Planning (BOY)	325	352	324
New Plans in Year	231	180	150
New Plans Cumulative	4,109	4,289	4,439
Plans Completed in Year	270	204	163
Plans Completed Cumulative	3,719	3,923	4,086
Plans Cancelled in Year	2	4	4
Plans Cancelled Cumulative	38	42	46
Plans terminated	--	--	--
In Planning (EOY)	352	324	307
Installation Underway (BOY)	396	486	492
Installation Started in Year	270	204	163
Installation Started Cumulative	3,719	3,923	4,086
Installation Completed in Year	162	183	191
Installation Completed Cumulative	3,145	3,328	3,519
Projects cancelled in year	10	15	15
Projects terminated	--	--	--
Installation Underway (EOY)	486	492	449
Plans Completed, Installation Not Yet Underway:			
Number	1,611	1,654	1,697
Cost ($ in 000's)	$289,980	$297,720	$305,460
Measures Completed with Other than RC&D Financial Assistance:			
During Year	836	852	867
Cumulative	17,160	18,012	18,879

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net decrease of $26,688,000 for the Resource Conservation and Development program consisting of:

(a) An increase of $153,000 which reflects a 2.7 percent increase in non-salary costs for financial assistance.

(b) A decrease of $26,841,000 which reflects the Administration policy of establishing a single Farm Services Agency in which technical assistance in all SCS programs will be combined with ASCS and FmHA into a single "salaries and expenses" account.

Need for Change. The decrease in funds are associated with the streamlining of USDA operations to achieve more efficient and effective farm services. The increase in funds are needed in order to maintain financial assistance levels at the current services level. The additional funds would be used to cover estimated inflation for financial assistance costs to local sponsors financed under this program. Without these funds, program performance would be adversely impacted.

Nature of Change. The funds requested will provide for financial assistance to continue developing, improving, and conserving natural resources and assist with expanding employment and other economic opportunities for the population of rural areas. The RC&D program supports the national initiative on Rural Development which seeks local solutions to local problems. The decreased technical assistance is associated with the Administration policy of establishing a single Farm Services Agency.

SOIL CONSERVATION SERVICE
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1992 and Estimated 1993 and 1994
RESOURCE CONSERVATION AND DEVELOPMENT

	1992		1993		1994	
	AMOUNT	STAFF YEARS	AMOUNT	STAFF YEARS	AMOUNT	STAFF YEARS
ALABAMA........	$952,450	18	$1,145,019	12	$312,700	--
ALASKA.........	185,994	2	125,621	2	7,100	--
ARIZONA........	639,905	11	646,452	10	4,500	--
ARKANSAS.......	904,999	15	874,409	12	66,800	--
CALIFORNIA.....	467,999	6	363,388	5	34,700	--
COLORADO.......	734,909	14	770,124	10	96,200	--
CONNECTICUT....	305,925	6	262,583	4	0	--
DELAWARE.......	156,974	2	128,687	2	20,500	--
FLORIDA........	388,174	5	401,491	4	115,800	--
GEORGIA........	869,863	12	892,620	9	241,500	--
HAWAII.........	356,685	5	387,365	5	37,400	--
IDAHO..........	887,432	12	794,438	11	75,700	--
ILLINOIS.......	726,484	10	768,536	12	19,600	--
INDIANA........	770,059	12	828,672	10	160,400	--
IOWA...........	906,990	14	895,683	13	74,800	--
KANSAS.........	634,992	11	545,905	9	80,200	--
KENTUCKY.......	1,072,244	15	1,075,094	12	276,200	--
LOUISIANA......	433,998	8	552,620	6	146,100	--
MAINE..........	600,973	12	651,110	9	66,800	--
MARYLAND.......	264,005	5	256,043	4	23,200	--
MASSACHUSETTS..	227,071	4	289,559	4	15,100	--
MICHIGAN.......	762,889	11	813,857	9	211,200	--
MINNESOTA......	556,131	11	1,086,815	10	377,800	--
MISSISSIPPI....	813,264	9	708,327	9	113,200	--
MISSOURI.......	706,008	12	640,772	9	66,800	--
MONTANA........	609,000	11	645,085	10	0	--
NEBRASKA.......	259,000	4	256,375	3	27,600	--
NEVADA.........	128,099	2	146,190	1	47,200	--
NEW HAMPSHIRE..	124,000	2	139,025	2	20,500	--
NEW JERSEY.....	244,347	6	278,049	4	41,000	--
NEW MEXICO.....	854,901	11	1,009,536	11	256,600	--
NEW YORK.......	670,754	12	732,535	9	132,800	--
NORTH CAROLINA.	871,834	12	903,239	11	162,200	--
NORTH DAKOTA...	700,876	10	969,740	9	319,000	--
OHIO...........	914,775	12	897,480	12	98,900	--
OKLAHOMA.......	833,755	12	1,128,524	13	244,100	--
OREGON.........	386,355	8	418,466	4	107,800	--
PACIFIC BASIN..	97,509	0	127,156	2	0	--
PENNSYLVANIA...	820,584	13	771,634	11	47,200	--
PUERTO RICO....	263,998	3	259,702	3	72,200	--
RHODE ISLAND...	130,999	2	128,256	2	900	--
SOUTH CAROLINA.	579,819	11	611,372	6	185,300	--
SOUTH DAKOTA...	521,991	8	512,085	7	46,300	--
TENNESSEE......	662,332	10	745,739	9	143,500	--
TEXAS..........	1,579,005	21	1,567,289	17	416,300	--
UTAH...........	484,147	8	790,748	9	167,500	--
VERMONT........	229,920	4	273,648	4	37,400	--
VIRGINIA.......	462,020	5	489,874	7	53,500	--
WASHINGTON.....	363,675	5	409,034	5	78,400	--
WEST VIRGINIA..	727,416	10	909,688	9	276,200	--
WISCONSIN......	458,662	6	561,601	7	86,400	--
WYOMING........	541,060	8	555,460	7	114,900	--
CHESTER NTC....	80,767	1	82,588	1	0	--
FORT WORTH NTC.	442,830	2	284,928	4	0	--
LINCOLN NTC....	130,000	3	141,432	2	0	--
PORTLAND NTC...	79,825	1	83,621	1	0	--
NATIONL HDQTRS.	2,127,912	21	1,733,992	27	0	--
FOREST SERVICE.	849,650	2	512,000	2	0	--
FmHA...........	60,000	2	60,000	2	0	--
TOTAL available or estimate..	$33,618,234	490	$35,141,281	435	$5,828,000	--

RESOURCE CONSERVATION AND DEVELOPMENT

STATUS OF PROGRAM

The Resource Conservation and Development (RC&D) Program began in February 1964 under authority of Section 102 of the Food and Agriculture Act of 1962 (Public Law 87-703) and other Departmental authorities. These authorities have been replaced by Sections 1528-1538 of the Agriculture and Food Act of 1981 which authorized a program to assist local and State efforts in resource conservation and development. The Food, Agriculture, Conservation and Trade Act of 1990 reauthorizes the program through FY 1995.

Program administration is provided by the Soil Conservation Service (SCS). Assistance is provided to RC&D sponsors as authorized by the Secretary of Agriculture. RC&D sponsors, State and local units of government, and nonprofit organizations initiate and direct the planning process, develop and maintain an RC&D area plan, and carry out activities to implement their area plan.

Department of Agriculture agencies provide technical, financial, and loan assistance to local sponsors. Sponsors also seek the help of local, State, and other Federal agencies and private organizations that can assist them in areawide planning and in carrying out activities to implement plans.

Program Objectives: As stated in the Agriculture and Food Act of 1981, The RC&D program is to encourage and improve the capability of State and local units of government and local nonprofit organizations in rural areas to plan, develop and carry out programs for resource conservation and development. The program also establishes or improves the coordination systems used in rural communities to effectively utilize available Federal, State, and local programs. Each RC&D area has a council made up of local sponsors to develop and implement the priorities needed to conserve and improve the use of land, develop natural resources, and enhance the social, economic, and environmental conditions in their rural area.

Program Operations: The 1990 Food, Agriculture and Trade Act limits assistance to not more than 450 active designated areas. At the present time there are 236 authorized areas, and 52 applications on file for new areas which desire to become involved in the program.

Status of Resource Conservation and Development Program
as of September 30, 1992

State	Area Applications on Hand			Areas Authorized for Assistance		
	No.	Acres	Counties Involved	No.	Acres	Counties Involved
Alabama	1	2,500,700	3	8	30,397,531	64
Alaska	1	35,200,000	2	1	14,700,000	1
Arizona	--	--	--	5	71,448,255	15
Arkansas	--	--	--	7	33,314,813	75
California	1	5,126,623	2	3	18,234,316	17
Caribbean Area	2	1,311,701	11	2	874,737	8
Colorado	--	--	--	6	47,180,598	43
Connecticut	--	--	--	2	3,127,056	8
Delaware	--	--	--	1	1,265,920	3
Florida	--	--	--	3	9,984,630	22
Georgia	3	8,067,800	32	7	15,222,956	64
Hawaii	--	--	--	3	3,699,685	3
Idaho	1	8,102,000	4	6	41,308,242	32
Illinois	1	1,751,990	5	6	16,776,983	50
Indiana	--	--	--	6	11,971,630	48
Iowa	3	5,902,169	16	7	13,849,471	40

Status of Resource Conservation and Development Program
as of September 30, 1992

State	Area Applications on Hand			Areas Authorized for Assistance		
	No.	Acres	Counties Involved	No.	Acres	Counties Involved
Kansas	--	--	--	5	13,970,967	32
Kentucky	4	6,184,900	30	8	16,290,653	71
Louisiana	1	3,301,706	5	4	18,082,875	41
Maine	--	--	--	5	19,106,313	16
Maryland	1	1,706,923	5	2	2,833,579	12
Massachusetts	--	--	--	2	3,988,405	10
Michigan	1	3,362,600	8	6	28,908,815	63
Minnesota	--	--	--	6	32,235,394	53
Mississippi	--	--	--	5	30,020,900	81
Missouri	3	9,082,480	23	5	17,653,007	43
Montana	1	5,034,041	3	5	54,495,634	36
Nebraska	6	19,629,632	46	2	16,663,700	17
Nevada	--	144,820	1	1	7,936,647	7
New Hampshire	--	--	--	1	3,161,374	4
New Jersey	--	--	--	2	4,416,936	17
New Mexico	--	--	--	7	80,126,080	33
New York	2	3,023,044	9	5	21,628,608	34
North Carolina	4	6,295,896	21	7	13,396,296	40
North Dakota	2	10,571,760	10	6	33,833,497	43
Ohio	1	2,700,000	9	7	20,425,737	68
Oklahoma	1	6,976,534	8	8	36,378,176	67
Oregon	1	17,606,977	7	3	17,415,977	16
Pacific Basin	--	--	--	1	896,000	2
Pennsylvania	1	936,320	4	6	22,121,355	46
Rhode Island	--	--	--	1	677,120	5
South Carolina	1	1,757,800	5	4	13,501,180	31
South Dakota	2	12,305,072	8	4	22,881,906	27
Tennessee	--	--	--	5	10,899,358	43
Texas	4	32,946,242	52	12	70,861,163	124
Utah	2	9,617,981	8	5	43,611,338	21
Vermont	--	--	--	2	6,107,890	14
Virginia	1	1,727,051	6	4	7,841,211	33
Washington	--	--	--	3	19,123,520	13
West Virginia	--	--	--	6	15,477,529	55
Wisconsin	--	--	--	4	23,570,598	41
Wyoming	--	--	--	4	55,646,014	22
TOTALS	52	222,874,762	343	236	1,139,542,575	1,774

For multistate applications and areas in the above table the number is tabulated for the states having leadership. The "Acreage" column reflects actual acreage in each state covered by the applications or areas. The "Counties Involved" column reflects whole and parts of counties in the state in which they are located and not in the state that has leadership.

For states having portions of counties in more than one approved RC&D area, or on file as an application, the "Counties Involved" column reflects no duplication. The typical RC&D area has 17 sponsors including six county governments, seven soil and water conservation districts, two cities, a substate district and one other organization. This group of sponsors operates by having each sponsor designate a representative to serve on the RC&D council. The council, with assistance from the RC&D Coordinator and other agency representatives, carries out the coordinating function to make effective use of all financial and technical resources available in the area.

RC&D area planning focuses on a determination of the area's problems and needs, setting objectives and goals and alleviating these problems through local citizen

leadership and participation. The process is concerned with land conservation, water management, community development and other elements such as the protection of fish and wildlife habitat.

The planning process results in the development of an "Area Plan" which contains the objectives and goals established by the council and is used to guide a council's efforts in the future. An annual plan of work also is prepared. Each year, each RC&D council goes through a process of evaluation and redefinition of goals to update their plan of action.

Once the area plan is prepared, councils work on implementing their objectives and goals. Measures (or projects) are developed for the strategies needed to reach goals. Measures are made up of a variety of activities carried out under the leadership of the RC&D council with assistance from Federal, State, and local cooperating agencies. Measures are major undertakings, requiring an extensive effort on the part of the council to complete. By completing a number of related measures a council's goal will be met.

Loans Available: Under the Bankhead-Jones Farm Tenant Act, Public Law 75-210, as amended, loans are made to local organizations for financing the local share of the cost of installing approved RC&D measures in authorized RC&D areas. The Rural Development Administration has been assigned responsibility for making these loans to sponsors of SCS approved projects. Public Law 92-419, approved August 30, 1972, provided for making such loans on an insured basis under the Agricultural Credit Insurance Fund.

These loans may not exceed $500,000 and are repayable in not more than 30 years at an interest rate based on the average rate paid by the U.S. Treasury on obligations of similar maturity. The rate for 1992 was 9.74 percent. However, the rate for FY 1993 is expected to change. The workload in FY 1992 consisted of assisting 96 borrowers and providing loan counseling to help local sponsors arrange funding necessary to implement planned financial assistance measures. There were no application on hand at the beginning of the year, and no applications for new loans were received during 1992.

Program Assignments: Administrative leadership for this Program is assigned to the Soil Conservation Service. USDA area planning assistance as well as technical assistance for implementing the plan is provided by the Soil Conservation Service and Forest Service. The Forest Service provides assistance to councils and their resource committees as requested by individual councils. This is accomplished through state forestry agencies. In FY 1992 the Forest Service obligated $849,650 in carrying out measures in 45 RC&D areas. The Extension Service provides arrangements for the State Cooperative Extension Service in selected RC&D areas to provide educational assistance to meet sponsors' special needs. The Rural Development Administration is responsible for the loan provisions of the Program.

In addition, other USDA agencies and agencies from other departments provide assistance to RC&D sponsors within their existing authorities and programs on an "as needed" basis. State and local units of government and their agencies also participate. Thus, RC&D activities are broader than those created by assistance from this Department alone. An indication of the level of participation by USDA agencies in 1992 is as follows:

	Technical Assistance Net Obligations	Technical Assistance Staff-Years	Financial Assistance Obligations	Total Net Obligations
1992 Actual:				
SCS....................	$30,474,295	499	$2,234,289	$32,708,584
FmHA (Loan Ser.)......	60,000	2	--	60,000
FS....................	849,650	2	--	849,650
Total..................	$31,383,945	503	2,234,289	33,618,234

TYPES OF ASSISTANCE FURNISHED BY THE DEPARTMENT TO RC&D AREAS

Technical Assistance: Technical assistance was being provided to 236 active authorized RC&D areas as of September 30, 1992. This assistance is in the form of staff days from USDA agencies, or is donated or purchased from other sources, to carry out the objectives and goals of a council. This includes help in carrying out studies to identify problems, needs, and the importance and availability of natural resources in the area. The SCS and other cooperating USDA agencies provide technical assistance which includes providing soils information, farm market analyses, wood utilization studies, and assistance needed by the sponsors to plan, layout and supervise installation of works of improvement described below in "Financial Assistance." Technical assistance provides for identifying other sources of assistance, determining probable impacts, and advising RC&D sponsors on actions to be taken.

Coordination and cooperation are essential in the planning process. The main form of technical assistance provided by USDA, through the SCS, is an RC&D Coordinator to assist sponsors in coordinating activities in the RC&D area plan.

Financial Assistance: Financial assistance is available, on a limited basis, from SCS to sponsors to implement measures for land conservation, water management, community development and other environmental elements. Sponsors of the measures must provide cost share matching funds. The total technical and financial assistance funds for the Resource Conservation and Development program obligated and equivalent staff-years used in 1992 by State were:

1992 RC&D OBLIGATIONS BY STATE

State	Obligations	Staff Years	State	Obligations	Staff Years
Alabama	$952,450	19	New York	$670,754	13
Alaska	185,994	2	North Carolina	871,834	13
Arizona	639,905	11	North Dakota	700,876	10
Arkansas	904,999	16	Ohio	914,775	13
California	467,999	6	Oklahoma	833,755	13
Caribbean Area	263,998	3	Oregon	386,355	8
Colorado	734,909	15	Pacific Basin	97,509	-
Connecticut	305,925	6	Pennsylvania	820,584	14
Delaware	156,974	2	Rhode Island	130,999	2
Florida	388,174	5	South Carolina	579,819	11
Georgia	869,863	13	South Dakota	521,991	8
Hawaii	356,685	5	Tennessee	662,332	10
Idaho	887,432	12	Texas	1,579,004	22
Illinois	726,484	10	Utah	484,147	8
Indiana	770,059	12	Vermont	229,920	4
Iowa	906,990	15	Virginia	462,020	5
Kansas	634,992	11	Washington	363,675	5
Kentucky	1,072,244	16	West Virginia	727,416	10
Louisiana	433,998	8	Wisconsin	458,662	6
Maine	600,973	12	Wyoming	541,060	8
Maryland	264,005	5	National Technical		
Massachusetts	227,071	4	Centers	733,422	7
Michigan	762,889	11	National Hdqtrs	2,127,913	21
Minnesota	556,131	11	Total, Resource		
Mississippi	813,264	9	Conservation &		
Missouri	706,008	13	Development,		
Montana	609,000	11	SCS...........	32,708,584	499
Nebraska	259,000	4	Allocation		
Nevada	128,099	2	Accounts......	909,650	4
New Hampshire	124,000	2	Total Resource		
New Jersey	244,347	6	Conservation &		
New Mexico	854,901	11	Development...	$33,618,234	503

Loan Services Assistance: Funds are provided to the Rural Development Administration (RDA) to service loans made to sponsors from the Agricultural Credit Insurance Fund. Loan services must be provided from Resource Conservation and Development funds because the Agricultural Credit Insurance Fund of the RDA is not available for such expenses.

CURRENT PROGRAM STATUS

The RC&D program is responding to management recommendations identified in the program evaluation and councils are placing high priority on the more diversified activities in the area of rural development. It is expected that this emphasis will continue over the next several years.

Program Accomplishments: In FY 1992, a total of 1,417 RC&D measures were completed. Of these 162 were installed with financial assistance provided through the RC&D program in FY 1992, 836 with financial assistance from other sources, and 419 without any financial assistance (only technical RC&D assistance, see table "National Summary of RC&D Measures.")

Selected Examples of Progress:

Coronado RC&D Area, Arizona. in order to renew a sewage treatment plant permit for the Town of Patagonia, local officials were required to test surface water quality. The RC&D Council organized the community of 1,500 people to discuss what was needed to be done and how to do it.

As a result, a sampling design plan was prepared to determine whether to proceed with the application for the permit with the plant in its present form or to modify the plant. The results will help preserve the surface water quality of Sonoita Creek.

Southern Maryland RC&D Area, Maryland. While yellow poplar is often considered an underutilized hardwood, it is widespread throughout the Appalachian Mountain range and the northern Piedmont area. The Southern Maryland RC&D Council and the Calvert County Transportation Department successfully applied for and were awarded a $30,000 Forest Service Timber Bridge Demonstration Project grant. The purpose of the grant is to demonstrate a technology for glue-lamination using yellow poplar for the Stinnett Road bridge deck.

These timber bridges provide highway officials and bridge designers with different examples of wood bridge technology and provides an opportunity to compare both the cost and construction of timber bridges with other types of bridge construction. Those responsible for bridge building can then see the advantages of utilizing locally grown raw materials for additional bridges resulting in jobs that will help the local economy.

North Country RC&D Area, New Hampshire. In large areas of hardwoods, the generation of electricity through wood-fired generators results in a need to find a way to dispose of the ash. One way is to spread the ash on the land. However, the effects of this disposal method are not well understood. The RC&D council recognized this problem and assisted in funding a study designed to examine changes in both the vegetation and soils when wood ash is spread on the forest floor.

This study examines the quantities and effects of such items as macro-nutrients and selected heavy metals. It will determine the amount of ash that can be recycled back to the land and thus help determine the amount of wood ash that can be safely disposed of through forest spreading.

The Upper Peninsula RC&D Area, Michigan. Unused or abandoned water wells have the potential to contaminate the groundwater in the area. Since groundwater is used for potable water, it is imperative that this source not be polluted. The RC&D Council cooperated with the Groundwater Education Centers and the Delta- Menominee

Center to develop a brochure illustrating ways to keep older wells from being contaminated. Three demonstration wells were established at a cost of about $1,000.

The sponsors estimate that there are about 4,000 abandoned or unused wells in the Upper Peninsula RC&D Area. As a result of the publicity surrounding the demonstration wells, other parties are interested in sealing their abandoned wells and preventing pollution of the groundwater.

NATIONAL SUMMARY OF RC&D MEASURES
AS OF SEPTEMBER 30, 1992

	ADOPTED		CANCELED WO PLAN		PLANNED		CANCELED WITH PLAN		COMPLETED	
	FY92	TO DATE	FY92	TO DATE	FY92	TO DATE	FY92	TO DATE	FY92	TO DATE
Financially Assisted:										
Natural Resource Improvement	29	2,034	-	9	33	1,890	2	51	24	1,643
Recreation-Tourism	29	316	-	5	36	293	-	4	19	234
Water and Water Quality	23	695	1	7	22	648	3	18	20	567
Fish and Wildlife	3	66	-	4	5	59	-	-	3	45
Other	147	998	1	13	174	829	5	15	96	656
SUBTOTAL	231	4,109	2	38	270	3,719	10	88	162	3,145
With Other Than RC&D Financial Assistance:										
Natural Resource Improvement	106	3,820	2	26	99	1,421	5	24	117	3,380
Community Improvement	187	5,045	6	25	178	1,699	10	37	188	4,349
Recreation-Tourism	104	2,872	6	42	95	1,007	3	19	79	2,434
Information-Education	99	1,778	-	7	93	630	1	5	79	1,620
Forestry	149	1,618	-	7	147	973	7	13	96	1,255
Water and Water Quality	100	1,510	2	40	112	904	5	27	97	1,021
Economic Development	116	1,336	1	6	112	753	8	35	93	1,064
Fish and Wildlife	21	313	-	3	16	233	1	3	35	255
Marketing & Merchandizing	22	184	-	1	33	139	1	4	16	113
Waste & Waste Utilization	24	148	-	-	19	75	1	1	11	100
Other	24	1,697	1	32	17	174	1	3	25	1,569
Subtotal	952	20,321	18	189	921	8,008	43	171	836	17,160
With No Financial Assistance:	1,198	16,129	169	3,337	571	3,228	35	214	419	6,678
TOTAL	2,381	40,559	189	3,564	1,762	14,955	88	473	1,417	26,983

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

[River Basin Surveys and Investigations]

[For necessary expenses to conduct research, investigation, and surveys of watersheds of rivers and other waterways, in accordance with section 6 of the Watershed Protection and Flood Prevention Act approved August 4, 1954, as amended (16 U.S.C. 1006-1009), $13,251,000: Provided, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $60,000 shall be available for employment under 5 U.S.C 3109.]

River Basin Surveys and Investigations

PROJECT STATEMENT
(On basis of appropriation)

Project	1992 Amount	1992 Staff-Years	1993 Estimated Amount	1993 Estimated Staff-Years	Increase or Decrease	1994 Estimated Amount	1994 Estimated Staff-Years
River Basin Surveys:							
1. USDA cooperative studies	$7,689,000	116	$7,689,000	115			
2. Flood plain mgmt. assistance	3,454,000	52	3,454,000	52			
3. Interagency coord. and program form.	2,108,000	32	2,108,000	31			
Total available or est	$13,251,000	200	$13,251,000	198			

*NOTE: These technical assistance and related staff years are reflected in the Salaries and Expenses account of the Farm Service Agency in 1994.

PROJECT STATEMENT
(On basis of available funds)

Project	1992 Amount	1992 Staff-Years	1993 Estimated Amount	1993 Estimated Staff-Years	Increase or Decrease	1994 Estimated* Amount	1994 Estimated* Staff-Years
Direct obligations:							
River Basin Surveys:							
1. USDA cooperative studies	$7,628,190	116	$7,689,000	115			
2. Flood Plain management assistance	3,419,085	52	3,454,000	52			
3. Interagency coord. and program form.	2,104,053	32	2,108,000	31			
Total direct oblig.	13,151,328	200	13,251,000	198			
Unobligated balance lapsing	(+99,672)	(--)	(--)	(--)			
Total available or est	(13,251,000)	(200)	(13,251,000)	(198)			
Reimbursable oblig.	668,097	9	1,000,000	16			
Obligational authority	$13,819,425	209	$14,251,000	214			

*NOTE: These technical assistance and related staff years are reflected in the Salaries and Expenses account of the Farm Service Agency in 1994.

SOURCES OF REIMBURSEMENTS

Project	1992 Actual	1993 Estimated	Increase or Decrease	1994* Estimated
River Basin Surveys:				
USDA cooperative studies	$55,000	$60,000		
Flood Insurance Studies	170,831	250,000		
Other Federal Sources	30,178	216,000		
Other Non-Federal Sources	412,088	474,000		
Total reimbursements	$668,097	$1,000,000		

*NOTE: These technical assistance and related staff years are reflected in the Salaries and Expenses account of the Farm Service Agency in 1994.

OUTLAYS

Project	1992 Actual	1993 Estimated	Increase or Decrease	1994 Estimated
River Basin Surveys:				
1. USDA Cooperative Studies........	$7,352,487	$7,847,000	-$6,693,000	$1,154,000
2. Flood plain management assistance	3,303,417	3,526,000	-3,008,000	518,000
3. Interagency coordination and program formulation...........	2,015,862	2,151,000	-1,835,000	316,000
Total Outlays.....................	$12,671,766	$13,524,000	-$11,536,000	$1,988,000

EXPLANATION OF PROGRAM

The appropriation "River Basin Surveys and Investigations," funds three activities as authorized by Public Law 83-566, as amended. The Department cooperates with other Federal and State agencies in making surveys and investigations of watersheds of rivers and other waterways. Activities include:

1) USDA Cooperative Studies:

The Department participates in:

-- Studies of agricultural and other rural land and water resources within river basins to gather basic data on existing and potential water supplies, present and future land use, current and potential economic development, and existing erosion and sediment problems.

-- Studies and investigations are made of agricultural, rural, and upstream water and land resources and problems to determine corrective actions needed and potentials for conservation, use and development. Evaluations include:

  -- Erosion and sediment damage to rural lands and properties,

  -- Upstream floodwater damage to rural lands and properties,

  -- Maintaining existing drainage of agricultural lands,

  -- Agricultural drought problems and potential for water conservation,

  -- Agricultural water needs for livestock and domestic use,

  -- Forest-based industries,

  -- Municipal and industrial water needs.

The planning activity gives consideration to finding alternative combinations of land treatment, structural and nonstructural measures to solve the area's problems, meet the identified needs, and develop the indicated potentials.

2) Flood plain management assistance:

-- Is carried out in cooperation with State and local governments,

-- Identifies flood hazards on selected flood plain reaches,

-- Provides reports which include flood profiles and maps showing areas subject to flooding by select frequency floods,

-- Provides information needed by State and local governments to implement land use and flood plain management programs.

3) <u>Interagency Coordination and Program Formulation</u>:

-- Provides national policy and program leadership direction to studies of river basins, flood plain managment, and Colorado River Salinity activities;

-- Provides USDA participation in water policy and program coordination at the National level.

-- Provides USDA membership and participation in the activities of three Federal-State Interagency Committees (SEBIAC, PSIAC, AWRBIAC), the Susquehanna and Delaware River Basin Commissions, and other regional entities involved in water and related resource planning and coordination.

-- Provides reviews of proposed reports and water projects of other Departments and agencies.

The following tabulation shows the number of surveys and obligations by type of survey for fiscal years 1992 and 1993. These activities will be carried out under the authorities of the Salaries and Expenses account of the Farm Service Agency in fiscal year 1994:

	1992	1993	1994
1. Surveys in cooperation with State and other Federal agencies:			
a. Surveys in progress, start of year.......	74	76	
b. Surveys initiated during year............	18	32	
c. Surveys worked during year...............	92	108	
d. Surveys completed during year............	16	28	
e. Surveys in progress, end of year.........	76	80	
Cumulative total surveys inititated......	419	451	
Cumulative total surveys completed.......	345	373	
Total Cost Cooperative Surveys (000's)..........	$7,628	$7,689	
2. Flood Plain Management Assistance Program:			
a. States participating in Flood Plain Management Studies	22	16	
(1) Ongoing studies (SOY)...............	72	73	
(2) New Studies.........................	19	26	
(3) Completed Studies...................	18	38	
(4) Ongoing Studies (EOY)...............	73	61	
(5) Cumulative total completed..........	543	581	
Total Cost Flood Plain Management Studies (000's)	$3,419	$3,454	
b. Reimbursable Flood Insurance Studies (non-add) (000's)........................	($668)	($1,000)	
(1) Ongoing Studies (SOY)...............	4	7	
(2) New Studies.........................	11	6	
(3) Completed Studies...................	8	3	
(4) Ongoing Studies (EOY)...............	7	10	
(5) Cumulative Total completed..........	534	537	
3. Interagency Coordination and Program Formulation (000's)........................	$2,104	$2,108	
Total direct obligations (000's)................	$13,151	$13,251	

SOIL CONSERVATION SERVICE
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1992 and Estimated 1993 and 1994
RIVER BASIN SURVEYS AND INVESTIGATION

	1992		1993		1994	
	AMOUNT	STAFF YEARS	AMOUNT	STAFF YEARS	AMOUNT	STAFF YEARS
ALABAMA........	$399,902	6	$205,235	6		
ALASKA.........	189,994	3	233,683	3		
ARIZONA........	228,293	4	219,459	4		
ARKANSAS.......	295,000	6	335,284	6		
CALIFORNIA.....	472,998	8	431,806	7		
COLORADO.......	182,960	3	174,754	3		
CONNECTICUT....	169,998	3	172,722	3		
DELAWARE.......	49,892	1	50,801	1		
FLORIDA........	229,998	4	233,683	4		
GEORGIA........	179,955	3	193,043	3		
HAWAII.........	229,240	2	121,922	2		
IDAHO..........	279,930	5	259,083	5		
ILLINOIS.......	251,288	4	218,443	4		
INDIANA........	279,994	6	274,324	6		
IOWA...........	304,995	6	329,188	6		
KANSAS.........	234,995	4	223,523	4		
KENTUCKY.......	210,970	4	254,003	4		
LOUISIANA......	189,906	4	223,523	4		
MAINE..........	66,002	2	40,641	1		
MARYLAND.......	90,000	2	101,601	2		
MASSACHUSETTS..	7,683	0	49,277	0		
MICHIGAN.......	241,993	4	223,523	4		
MINNESOTA......	357,002	5	345,445	5		
MISSISSIPPI....	285,002	5	314,964	5		
MISSOURI.......	376,002	6	381,005	6		
MONTANA........	179,999	3	162,562	3		
NEBRASKA.......	345,000	5	304,804	5		
NEVADA.........	49,998	1	66,041	1		
NEW HAMPSHIRE..	185,296	3	225,047	3		
NEW JERSEY.....	139,967	3	127,002	3		
NEW MEXICO.....	162,984	2	200,155	2		
NEW YORK.......	189,177	4	248,923	4		
NORTH CAROLINA.	260,002	4	233,683	4		
NORTH DAKOTA...	225,001	4	152,402	3		
OHIO...........	315,002	5	320,044	5		
OKLAHOMA.......	159,999	3	162,562	3		
OREGON.........	124,755	1	142,242	1		
PACIFIC BASIN..	29,449	1	30,480	1		
PENNSYLVANIA...	189,853	5	203,203	5		
PUERTO RICO....	0	0	50,801	0		
RHODE ISLAND...	66,004	1	76,201	1		
SOUTH CAROLINA.	224,998	5	254,003	5		
SOUTH DAKOTA...	129,981	2	136,146	2		
TENNESSEE......	272,001	5	254,003	5		
TEXAS..........	187,999	3	243,843	3		
UTAH...........	103,349	2	121,922	2		
VERMONT........	149,738	1	152,402	1		
VIRGINIA.......	179,995	3	203,203	3		
WASHINGTON.....	229,830	2	254,003	2		
WEST VIRGINIA..	249,956	4	284,484	4		
WISCONSIN......	180,000	4	193,043	4		
WYOMING........	240,004	3	223,523	3		
CHESTER NTC....	79,999	1	81,144	1		
FORT WORTH NTC.	388,864	1	329,646	1		
LINCOLN NTC....	199,999	4	164,316	4		
PORTLAND NTC...	104,767	1	107,514	1		
NATIONL HDQTRS.	1,021,978	5	1,080,718	5		
FOREST SERVICE.	781,392	9	850,000	10		
TOTAL available or estimate..	$13,151,328	200	$13,251,000	198		

RIVER BASIN SURVEYS AND INVESTIGATIONS

STATUS OF PROGRAM

The Watershed Protection and Flood Prevention Act, Public Law 83-566, Section 6, August 4, 1954, provides for cooperation with other Federal, State, and local agencies in making investigations and surveys of river basins as a basis for the development of coordinated water resource programs. Reports of the investigations and surveys serve as guides for the development of water, land, and related resources in agricultural, rural, and urban areas within upstream watershed settings. They also serve as a basis for coordination with major river systems and other phases of water resource management and development.

The Soil Conservation Service has leadership for administering river basin surveys, investigations, and planning activities including the development of general planning principles, criteria, and procedures; determining land resources availability and land uses; appraising physical problems and needs; determining water, land, and related resources potential of upstream watersheds; and coordinating programs with other agencies. During FY 1992, the Soil Conservation Service obligated $12,369,936 of the available program funds.

The Forest Service is responsible for forestry aspects of river basin planning, both Federal and non-Federal, and for rangelands administered within National Forests and for the analysis and projection of economic activity related to forest industries. During FY 1992, the Forest Service obligated $781,392 of the available program funds.

Other agencies in the Department participate in reviews and provide inputs where items of concern to the agency are involved.

COOPERATIVE RIVER BASIN SURVEYS

Current activities: The Department analyzes and projects the soil erosion, upstream flooding, and water use in the basin. Agricultural water and related land resources problems are studied to determine corrective actions needed and potentials for resource management and development. Studies are made of erosion, floodwater, and sediment damage to rural lands and properties; problems related to and methods to preserve prime and unique farmlands; agricultural drought problems; opportunities for water conservation, improved instream flows and water quality improvement; and water needs for livestock, rural domestic use, fish, wildlife, forest-based industries, municipalities, and industries. The combination of these activities has a positive effect on rural revitalization.

The inventories and analyses of water, land, and related resources in upstream watersheds consist of identification of the most critical resource problems to agriculture and rural communities including wetlands and water storage capacity; flooding; the effect of land use and management practices including the use of chemicals on erosion, water quality and flow characteristics; the potential effect of agricultural, rural and upstream watershed management alternatives on erosion and watershed runoff characteristics; rural development; and other State water resources concerns. Consideration is given to the effects of potential water resource projects on lands and programs administered by the Department.

Types of investigations and surveys conducted include USDA Cooperative River Basin surveys and Joint USDA-Corps of Engineers Studies (PL 87639).

USDA Cooperative Surveys with Local, State, and Concerned Federal Agencies: The Department cooperates with local, State, and concerned Federal agencies in the preparation and updating of State water resource plans and special water and related land resources studies. The Department helps States coordinate upstream and downstream elements of water and related land resources planning activities. Through FY 1992 the Department has initiated 419 cooperative surveys and has completed 345.

Joint USDA - Corps of Engineers Studies (PL-87-639): Upon request by the Congress, USDA cooperates with the U.S. Army Corps of Engineers in joint investigations and surveys for solving water and related resource problems for river basins or other specific problem areas. Four studies are expected to be in planning during FY 1993.

FLOOD PLAIN MANAGEMENT ASSISTANCE PROGRAM

Current Activities: The Soil Conservation Service assists local governments in developing and implementing local flood plain management programs by carrying out cooperative flood plain management studies in accordance with A Unified National Program for Flood Plain Management. Local governments request flood plain management studies from the State agency, which determines the priority for a study. Each study is carried out consistent with a plan of work developed by the local government and the SCS. Studies may include identification of State and locally adopted non-structural measures for flood plain management, flood hazard determination, dam breach hazards, flood proofing, and interpretation of technical data to assist communities in their flood plain management decisions.

The information generated serves as the basis for recommendations to conservation district cooperators and State and local planners and officials regarding proposed land use changes; assisting rural upstream communities with their flood plain management programs and location and use of wetlands; and determining the flooding hazard of proposed housing and building sites for other agencies, such as the Farmers Home Administration. These studies also help identify local implementation programs for flood proofing, emergency preparedness, and other flood plain management activities. The information developed in flood plain management studies is also utilized in a variety of USDA ongoing programs. The study findings are used in watershed planning and preplanning, river basin surveys and investigations, and the reevaluation of flood plains below completed watershed projects. A total of 610 flood plain management studies have been initiated through FY 1992; 543 studies have been completed.

Flood Insurance Studies. SCS performs reimbursable flood insurance studies for the Federal Emergency Management Agency under Section 1360c of the National Flood Insurance Act of 1968 (Public Law 90-448). Flood insurance studies provide the technical information to enable communities to adopt floodplain management regulations to meet the requirements of the National Flood Insurance Program. SCS initiated 11 new flood insurance studies in FY 1992 and has completed a total of 534 detailed flood insurance studies.

INTERAGENCY COORDINATION AND PROGRAM FORMULATION

Interagency coordination and program formulation in water and related land resources are achieved at the Federal level through the Cabinet Council on Natural Resources and Environment. The Secretary of Agriculture is a member of the Council. The Secretary has also organized a Policy Coordination Council in the Department. USDA is represented on an interagency Floodplain Management task force and on an Interagency Hazard Mitigation Task Force. Several subcommittees are organized to carry out the work of these task forces.

At the field level, coordination of regional and river basin planning has been achieved through River Basin Commissions, Interagency Committees, and ad hoc coordinating committees. With the discontinuance in FY 1982 of River Basin Commissions formed under the Water Resources Planning Act of 1965, PL 89-80, other regional entities have replaced the Commissions. The Soil Conservation Service continues to represent the Department when USDA representation is needed on the newly formed regional entities.

SELECTED EXAMPLES OF RECENT PROGRESS AND ACCOMPLISHMENTS

Study priorities for Cooperative River Basin Surveys are identified in the National Conservation Program as erosion reduction, flood prevention, water conservation, and

water quality improvement. A total of 18 Cooperative River Basin Surveys and 19 flood plain management studies were started in FY 1992.

Water Quality Improvement: Water quality improvement focuses on off-site effects from agricultural non-point source pollutants, groundwater, water quality effects, and animal waste management.

Studies will evaluate the existing off-site surface and groundwater quality problems, estimate the environmental and economic damages, identify the sources of the non-point agricultural pollutants, predict future loadings based on agriculture trends, develop alternative best management practices (BMP's) to reduce the off-site problems, prioritize areas of potential treatment, and prepare a report for conservation districts and state agencies to use in implementing BMP's. Studies have been selected based on being consistent with priority problem areas as recognized by the appropriate state agency who manages water quality improvement, the critical resource being adversely impacted, and the concentration of agriculture.

Activities That Support Local Implementation: Both cooperative river basin surveys and flood plain management studies provide technical assistance to state and local agencies. Technical assistance is provided to assist state and local agencies to formulate soil erosion reduction, flood prevention, water conservation, and water quality plans. State and local as well as private resources are then used to implement the plans.

COOPERATIVE RIVER BASIN STUDIES

Clinch Cooperative River Basin Study, Virginia. T· s study, which is part of the Southern Virginia River Basin Study, was initiated to assist in setting planning and implementation priorities. Priorities are based on the greatest resource needs and opportunities in the 16 individual subwatersheds of the Clinch River Basin.

Recommendations include selection of a high priority subwatershed for further study to assess, define, and prepare a report on potential land treatment project activities. It recommends reviewing other subwatersheds to define and evaluate the potential for flood water damage reduction and prevention, and to consider opportunities to support regional water supply and waste disposal planning.

Study results include a matrix that displays a summary of the subwatersheds, priorities for addressing water quality concerns from agricultural nonpoint sources, flooding concerns, and a weighting of the various priorities to assist in decision making.

The Tennessee Valley Authority; the Virginia Division of Soil and Water Conservation, Water Control Board, Department of Forestry, and Division of Mined Land Reclamation; and the USDA Forest Service and Soil Conservation Service cooperated in the study.

Sympson Lake Cooperative River Basin Study, Kentucky. The purpose of this study was to identify and describe the resource concerns in the Sympson Lake Watershed that affect water quality and quantity, and to formulate alternatives for alleviating those problems.

Study recommendations include a plan that reduces nutrient loading, improves quality, increases water supply, decreases treatment costs, and increases recreation and tourism. Remedial measures proposed include strip cropping, crop rotation, no-till cropping, terraces, pasture renovation, critical area treatment, livestock exclusion from the woodland and riparian zone, animal waste systems, restrictions of some recreational activities, control of chemical applications and urban development around the lake through country-wide zoning regulations, a multi-purpose structure, and an information and education program.

The study includes alternative plans for evaluating the degree of protection provided from erosion, sedimentation, and nutrient transport. The level of impact on water quality from erosion of cropland, woodland, and grassland, and the nutrients delivered to the lake from both agricultural and non-agricultural sources were identified for each alternative.

The Nelson County Soil and Water Conservation District, Bardstown City Council, Bardstown Water Distribution Company, and the Soil Conservation Service cooperated in the study.

FLOOD PLAIN MANAGEMENT STUDIES

Jessup Basin Flood Plain Management Study, Florida. The proposed study was to assist local planning councils or development commissions develop plans to cope with intensive rainfall events so that minimal inconveniences occur to residents of the area.

Study recommendations include implementing and maintaining an effective flood plain management program. This includes developing a program to publicize the availability of flood insurance and encourage community residents within or adjacent to the flood hazard areas to participate in the program; and adopting and enforcing a local flood prevention ordinance.

The final reports includes technical information in the form of maps, graphs, and tables depicting flood discharge and elevation frequency data for use as a basis for local flood plain management to minimize future flood losses.

The Florida Department of Community Affairs, Seminole Soil and Water Conservation District, Seminole County, St. Johns River Water Management District, and the Soil Conservation Service cooperated in the study.

Town of Thetford Flood Plain Management Study, Vermont. This study provides detailed flood frequency characteristics and other analyses for a major portion of the town's flood plain system.

Recommendations include instituting practices for erosion, runoff, and sediment control to protect stream capacities especially in new developments, floodproofing buildings and other high value properties, relocating some residences and buildings, enacting formal flood plain regulations, and participation in the flood insurance program by owners of flood prone property.

The study report includes flood plain area photomaps, flood profiles, and water surface elevation tabulations for use in determining flood elevations. These will assist state and local governments and the public to develop a program to minimize future flood damages.

The town of Thetford, White River Natural Resources Conservation District, Vermont Department of Environmental Conservation, and the Soil Conservation Service cooperated in the study.

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Watershed and Flood Prevention Operations

For necessary expenses to carry out preventive measures, including but not limited to research, engineering operations, methods of cultivation, the growing of vegetation, rehabilitation of existing works and changes in use of land, in accordance with the Watershed Protection and Flood Prevention Act approved August 4, 1954, as amended (16 U.S.C. 1001-1005, 1007-1009), the provisions of the Act of April 27, 1935 (16 U.S.C. 590a-f), and in accordance with the provisions of laws relating to the activities of the Department, [$228,266,000] $149,953,000 to remain available until expended (7 U.S.C. 2209b) (of which [$40,272,000] $24,514,000 shall be available for the watersheds authorized under the Flood Control Act approved June 22, 1936 (33 U.S.C. 701, 16 U.S.C. 1006a), as amended and supplemented): Provided, That [this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and] not to exceed [$22,816,000] $20,853,000 shall be available for emergency measures as provided by sections 403-405 of the Agricultural Credit Act of 1978 (16 U.S.C. 2203-2205)[, and not to exceed $200,000 shall be available for employment under 5 U.S.C. 3109]: Provided further, That [$4,000,000] $4,108,000 in loans may be insured, or made to be sold and insured, under the Agricultural Credit Insurance Fund of the [Farmers Home Administration] Farm Service Agency (7 U.S.C. 1931): [Provided further, That not to exceed $1,000,000 of this appropriation is available to carry out the purposes of the Endangered Species Act of 1973 (Public Law 93-205), as amended, including cooperative efforts as contemplated by that Act to relocate endangered or threatened species to other suitable habitats as may be necessary to expedite project construction.]

Watershed and Flood Prevention Operations

	Watersheds Authorized by PL-534	Emergency Watershed Operations	Small Watersheds Authorized by PL-566	Total Watersheds and Flood Prevention
Appropriation Act, 1993...........	$40,272,000	$34,816,000	$165,178,000	$240,266,000
Budget Estimate, 1994.............	24,514,000	20,853,000	104,586,000	149,953,000
Decrease in Appropriation.........	-$15,758,000	-$13,963,000	-$60,592,000	-$90,313,000

NOTE: The 1993 Emergency Watershed Operations program includes $12,000,000 1992 supplemental.

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

Item of Change	1993 Estimated	Other Changes	1994* Estimated
Watershed and Flood Prev. Oper:			
1. Wtrshd oper. auth by PL-534...........	$40,272,000	-$15,758,000	$24,514,000
2. Emerg. watershed prot. oper...........	34,816,000	-13,963,000	20,853,000
3. Small wtrshd auth. by PL-566..........	165,178,000	-60,592,000	104,586,000
TOTAL AVAILABLE..........................	$240,266,000	-90,313,000	$149,953,000

*NOTE: The technical assistance and related staff years are reflected in the Salaries and Expenses account for the Farm Service Agency for 1994. The 1993 Emergency Watershed Operations program includes $12,000,000 1992 supplemental.

PROJECT STATEMENT
(On basis of appropriation)

Project	1992 Amount	1992 Staff Years	1993 estimated Amount	1993 estimated Staff Years	Increase or Decrease	1994 estimated* Amount	1994 estimated* Staff Years
1. Watershed operations authorized by PL-534:							
(a) Planning........	$995,000	19	$1,117,000	19	-$1,117,000	--	--
(b) Technical assistance......	13,646,000	265	15,321,000	270	-15,321,000	--	--
(c) Financial assistance for construction:							
Direct Federal contracting....	17,790,000	--	19,780,000	--	+632,000	$20,412,000	--
Payment for contracting by local sponsors	3,580,000	--	3,974,000	--	+128,000	4,102,000	--
(d) Loan serv.(RDA)	80,000	2	80,000	2	-80,000	--	--
Subtotal, flood prevention..........	36,091,000	286	40,272,000	291	-15,758,000(1)	24,514,000	--
2. Emergency Watershed Protection Operation	70,028,000	130	34,816,000	184	-13,963,000(2)	20,853,000	--
3. Small watersheds authorized by PL-566:							
(a) Technical assistance......	59,356,500	1,009	63,662,500	1,000	-63,662,500	--	--
(b) Financial assistance for construction:							
Direct Federal contracting...	50,184,000	--	56,750,000	--	+1,816,000	58,566,000	--
Payment for contracting by local sponsors	39,434,000	--	44,593,000	--	+1,427,000	46,020,000	--
(c) Loan services..	172,500	5	172,500	5	-172,500	--	--
Subtotal, watershed operations..........	149,147,000	1,014	165,178,000	1,005	-60,592,000(3)	104,586,000	--
Total, avail. or est.	255,266,000	1,430	$240,266,000	1,480	-$90,313,000	$149,953,000	--
Economic Stimulus....			46,961,000				
Total President,s Bud			$287,227,000				

*NOTE: The technical assistance and related staff years are reflected in the Salaries and Expenses account for the Farm Service Agency for 1994. The 1993 Emergency Watershed Operations program includes $12,000,000 1992 supplemental.

PROJECT STATEMENT
(On basis of available funds)

Project	1992 Amount	1992 Staff-Years	1993 estimated Amount	1993 estimated Staff-Years	Increase or Decrease	1994 estimated* Amount	1994 estimated* Staff-Years
1. Watershed operations authorized by PL-534:							
(a) Planning.......	$1,035,234	19	$1,080,000	19	-$1,080,000	--	--
(b) Technical assistance.....	14,728,665	265	15,358,000	270	-15,358,000	--	--
(c) Financial assistance for construction:							
Direct Federal contracting...	12,021,672	--	25,958,492	--	-7,358,492	$18,600,000	--
Payment for contracting by local sponsors	3,823,000	--	8,253,000	--	-2,339,000	5,914,000	--
(d) Loan services..	80,000	2	80,000	2	-80,000	--	--
Subtotal, flood prevention.........	31,688,571	286	50,729,492	291	-26,215,492	24,514,000	--
2. Emergency Watershed Protection Oper....	26,243,043	130	92,636,512	184	-71,783,512	20,853,000	--
3. Small watersheds authorized by PL-566:							
(a) Technical assistance....	64,424,766	1,009	64,294,108	995	-64,294,108	--	--
(b) Financial assistance for construction:							
Direct Federal contracting...	53,572,150	--	78,971,146	--	-9,083,146	69,888,000	--
Payment for contracting by local sponsors	26,598,000	--	39,209,000	--	-4,511,000	34,698,000	--
(c) Loan services..	172,500	5	172,500	5	-172,500	--	--
Subtotal, watershed operations........	144,767,416	1,014	182,646,754	1,000	-78,060,754	104,586,000	--
Total direct obligations........	202,699,030	1,430	326,012,758	1,480	-176,059,758	149,953,000	--
Unobligated balance brought forward....	(-33,179,788)	--	(-85,746,758)	--	+85,746,758	--	--
Unobligated balance carried forward....	(+85,746,758)	--	--	--	--	--	--
Appropriation.......	($255,266,000)	1,430	($240,266,000)	1,480	(-$90,313,000)	($149,953,000)	--

*NOTE: The technical assistance and related staff years are reflected in the Salaries and Expenses account for the Farm Service Agency for 1994.

REIMBURSABLE OBLIGATIONS

Project	1992 Amount	1992 Staff-Years	1993 estimated Amount	1993 estimated Staff-Years	Increase or Decrease	1994 estimated Amount	1994 estimated Staff Years
Reimbursable obligations:							
1. Watershed operations authorized by PL-534:							
(a) Planning.........	--	--	--	--	--	--	--
(b) Technical assistance.......	$162,138	5	$750,000	25	-$750,000	--	--
(c) Financial assistance for construction: Direct Federal contracting....	1,467,761	--	750,000	--	--	$ 750,000	--
Subtotal, flood prevention...........	1,629,899	5	1,500,000	25	-750,000	750,000	--
2. Emergency Watershed Protection Operation.	2,456,694	1	3,000,000	1	-666,000	2,334,000	--
3. Small watersheds authorized by PL-566:							
(a) Technical assistance......	1,982,971	29	150,000	5	-150,000	--	--
(b) Financial assistance for construction: Direct Federal contracting....	7,873,921	--	5,350,000	--	--	5,350,000	--
Subtotal, watershed operations...........	9,856,892	29	5,500,000	5	-150,000	5,350,000	--
Total, reimbursable obligations.........	13,943,485	35	10,000,000	31	-1,566,000	8,434,000	--
Obligational authority...........	$216,642,515	1,465	$336,012,758	1,506	-$184,493,758	$158,387,000	--

SOURCES OF REIMBURSEMENTS

	1992 Actual	1993 estimated	Increase or Decrease	1994 estimated
Within USDA.......................	$60,057	$43,000	-$7,000	$36,000
Other Federal Agencies............	3,204,918	2,300,000	-360,000	1,940,000
Non-Federal Sources...............	10,678,510	7,657,000	-1,199,000	6,458,000
Total reimbursements..............	$13,943,485	$10,000,000	-$1,566,000	8,434,000

OUTLAYS

	1992 Actual	1993 estimated	Increase or Decrease	1994 estimated
1. Watershed operations authorized by PL-534..............	$21,776,069	$36,519,000	-$8,635,000	$27,884,000
2. Emergency Watershed Protection Operations.............	30,870,098	92,019,000	-66,248,000	25,771,000
3. Small watersheds authorized by PL-566...................	148,220,472	163,384,000	-48,238,000	115,146,000
Total Outlays..................	$200,866,639	$291,922,000	-$123,121,000	$168,801,000

NOTE: The 1994 technical assistance outlays are reflected in the Salaries and Expenses account of the Farm Service Agency. The 1993 Emergency Watershed Operations program includes $12,000,000 1992 supplemental.

EXPLANATION OF PROGRAM

The appropriation "Watershed and Flood Prevention Operations" funds those activities authorized by the Watershed Protection and Flood Prevention Act, as amended (16 U.S.C. 1001-1005, 1007-1009) and the Flood Control Act, as amended and supplemented (33 U.S.C. 701, 16 U.S.C. 1006a) and Sections 403-405 of the Agricultural Credit Act of 1978 (16 U.S.C. 2203-2205), which relate to installation of individual watershed projects, flood prevention subwatershed projects, and emergency watershed protection. The technical assistance for these activities will be carried out under the authorities of the Salaries and Expenses account of the Farm Service Agency in fiscal year 1994. Activities include:

Watershed Operations Authorized by PL-534

The planning criteria, economic justifications, local sponsorship requirements, costsharing criteria, and other policies and procedures used in the Flood Prevention Program have been adjusted to generally parallel those of the Watershed Protection Program. The Department helps install watershed improvement measures to reduce flood, sediment, and erosion damages; further the conservation, development, utilization, and disposal of water; further the conservation and proper utilization of land; and to accomplish other measures incorporated in subwatershed work plans. The following table shows the status of subwatershed work plans:

Subwatersheds Status	1992	1993	1994
In construction	240	240	240
Continuing land treatment	74	74	74
Completed construction	117	117	117
In planning	24	24	24
Total subwatersheds	455	455	455

Emergency Watershed Protection Operations

Funding authority for FY 1993 is requested under Sections 403-05 of the Agricultural Credit Act of 1978. Funding is for such emergencies for runoff retardation and soil erosion prevention as may be needed to safeguard life and property from floods and the products of erosion on any watershed whenever flood, fire, drought, or any other natural element causes a sudden impairment of the watershed. The Department administers the program by providing technical assistance and arranging with local contractors to install most of the required measures.

Small Watershed Operations Authorized by PL-566

The Department provides technical and financial assistance to local organizations to install the watershed works of improvement for watershed protection, flood prevention, agricultural water management, recreation, and fish and wildlife development, and other authorized features specified in the work plans.

The following table shows the status of PL-566 watershed projects:

Status of Operational Projects	1992	1993	1994
Projects receiving land treatment	249	264	274
Projects under construction	327	303	307
New projects approved during the year	11	30	29
Projects continuing post-instal assistance	35	45	56
Projects completed during year	10	10	10
Projects completed, cumulative	735	745	755
Projects not requiring funds	165	165	165
Total operational projects	1,532	1,562	1,596

JUSTIFICATION OF INCREASES AND DECREASES

(1) A decrease in appropriation of $15,758,000 for Watershed Operations authorized by PL-534 (on the basis of available funds, there is a decrease of $26,215,492).

Need for Change: The proposed budget reduction reflects the consolidation of USDA operations to achieve more efficient and effective farm services. Technical assistance activities for 1994 are reflected in the "Salaries and Expenses" account of the Farm Service Agency. Financial assistance funds are increased to maintain current services.

Nature of Change: The proposed funding level would provide funding to continue financial assistance at current levels. These projects serve the public interest by providing solutions to the county's most critical soil erosion problems, cropland and rural community flooding problems, and water conservation problems. Priorities for project construction are established considering the expected project benefits, cost effectiveness, environmental impacts, and the readiness of local sponsors to proceed. Emphasis is placed on completing projects that address national environmental concerns including upstream flood control projects, water quality improvement projects, and water conservation projects. Non-structural land treatment measures are emphasized because they are generally less expensive than structural measures and for their multipurpose effects in conservation practices on the farms in watersheds. Local cost-sharing is also being emphasized to reduce Federal expenditures. Efforts are underway to work with local project sponsors to eliminate planned work that is no longer economically or environmentally feasible.

(2) A decrease in appropriation of $13,963,000 for Emergency Watershed Operations (on the basis of available funds, there is a decrease of $71,783,512).

Need for Change: The proposed budget reduction reflects the consolidation of USDA operations to achieve more efficient and effective farm services. Technical assistance activities for 1994 are reflected in the "Salaries and Expenses" account of the Farm Service Agency.

Nature of Change: The proposed level of funding would provide financial assistance to complete contracts signed in prior years and to provide for an immediate response to exigency situations to reduce hazards to life and property in watersheds damaged by severe natural events occurring in 1994.

(3) A decrease in appropriation of $60,592,000 for Watershed Operations authorized by PL-566 (on the basis of available funds, there is a decrease of $78,060,754).

Need for Change: The proposed budget reduction reflects the consolidation of USDA operations to achieve more efficient and effective farm services. Technical assistance activities for 1994 are reflected in the "Salaries and Expenses" account of the Farm Service Agency. Financial assistance funds are increased to maintain current services.

Nature of Change: The proposed funding level would provide funding to continue financial assistance at current levels. These projects serve the public interest by providing solutions to the county's most critical soil erosion problems, cropland and rural community

flooding problems, and water conservation problems. Priorities for project construction are established considering the expected project benefits, cost effectiveness, environmental impacts, and the readiness of local sponsors to proceed. Emphasis is placed on completing projects that address national environmental concerns including upstream flood control projects, water quality improvement projects, and water conservation projects. Non-structural land treatment measures are emphasized because they are generally less expensive than structural measures and for their multipurpose effects in conservation practices on the farms in watersheds. Local cost-sharing is also being emphasized to reduce Federal expenditures. Efforts are underway to work with local project sponsors to eliminate planned work that is no longer economically or environmentally feasible.

Distribution of Funds by Agency for Operating Flood Prevention Projects

	1992 Obligations	Brought Forward from 1992	1993 Appropriation (adjusted)	Estimated Obligations 1993	Budget Estimate 1994
SOIL CONSERVATION SERVICE					
Buffalo Creek, NY.........	132,406	890	232,697	233,587	109,416
Colorado (Middle), Texas..	1,066,847	1,000,000	2,719,846	3,719,846	883,000
Coosa, Georgia, Tennessee	--	--	--	--	--
Little Sioux, Iowa........	2,614,825	17	2,891,933	2,891,950	2,162,846
Little Tallahatchie, MS..	1,875,953	725	2,714,434	2,715,159	1,551,516
Los Angeles, California...	190,618	--	216,462	216,462	157,210
Potomac, MD, PA, VA,. W. VA..................	7,083,931	6,448,140	12,071,006	18,519,146	5,860,882
Santa Ynez, California....	213,369	21,326	--	21,326	176,200
Trinity, Texas............	1,774,073	1,843,312	2,150,550	3,993,862	1,467,871
Washita, Oklahoma, Texas..	3,134,641	6,771	3,187,404	3,194,175	2,593,479
Yazoo, Mississippi........	11,544,357	1,013,867	11,987,668	13,001,535	9,551,580
Total, SCS.............	29,631,020	10,335,048	38,172,000	48,507,048	24,514,000

PL-566 Project Activity and Obligations

The following table shows the status of Public Law 566 projects by stage of assistance and amounts obligated or estimated to be obligated.

	1992		1993		1994	
	NO.	Dollars in Thousands	NO.	Dollars in Thousands	NO.	Dollars in Thousands
1. Projects approved for operation and estimated cost of completion:						
a. Uncompleted projects at start of year...	786	$1,296,489	787	$1,172,668	807	$1,050,021
b. Projects approved during year........	11	20,946	30	60,000	29	60,000
Total.......................	797	1,317,435	817	1,232,668	836	1,110,021
2. Status of projects and amounts obligated:						
a. Projects inactive end of year........	23	--	23	--	23	--
b. Deauthorized, cumulative.........	142	--	142	--	142	--
c. Projects approved during year........	11	1,047	30	2,850	29	2,000

	1992 NO.	1992 Dollars in Thousands	1993 NO.	1993 Dollars in Thousands	1994 NO.	1994 Dollars in Thousands
d. Projects receiving land treatment and engineering services	249	18,000	264	20,000	274	20,000
e. Projects continuing construction and land treatment........	327	122,660	303	157,297	302	80,586
f. Projects with construction completed continuing post installation assistance..........	35	1,306	45	1,500	56	1,000
g. Projects completed during year........	10	1,754	10	1,000	10	1,000
Subtotal....................	797	144,767	817	182,647	836	104,586
3. Uncompleted projects (cumulative) at end of year:						
a. Obligations to date.	787	2,553,892	807	2,735,539	826	2,839,125
b. Estimated cost of completion..........	--	1,172,668	809	1,050,021	828	1,005,435
4. Projects completed (cumulative and total cost)..................	745	1,024,414	755	1,025,414	765	1,026,414
5. Total projects approved (cumulative and total cost).................	1,532	4,750,974	1,562	4,810,974	1,591	4,870,974
Total (cumulative obligations)...........	1,532	$3,578,306	1,562	$3,760,953	1,591	$3,865,539

SOIL CONSERVATION SERVICE
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1992 and Estimated 1993 and 1994
WATERSHED AND FLOOD PREVENTION OPERATIONS

	1992		1993		1994	
	AMOUNT	STAFF YEARS	AMOUNT	STAFF YEARS	AMOUNT	STAFF YEARS
ALABAMA........	$1,820,078	18	$2,294,885	17	$977,100	--
ALASKA.........	3,418	0	2,072,109	5	1,239,700	--
ARIZONA........	2,539,726	24	3,648,630	19	1,646,600	--
ARKANSAS.......	5,718,108	30	4,466,764	28	1,982,000	--
CALIFORNIA.....	9,697,404	40	5,508,972	30	2,282,400	--
COLORADO.......	817,886	8	2,527,747	6	1,415,400	--
CONNECTICUT....	3,258,201	10	1,507,587	10	593,600	--
DELAWARE.......	762,013	8	831,110	6	273,500	--
FLORIDA........	2,792,291	12	15,356,153	42	8,531,700	--
GEORGIA........	2,114,180	14	3,575,595	17	1,675,000	--
HAWAII.........	1,089,649	9	6,839,940	9	4,085,000	--
IDAHO..........	821,295	10	2,069,527	11	960,400	--
ILLINOIS.......	3,255,496	15	3,008,570	15	1,312,600	--
INDIANA........	1,034,418	10	1,194,724	10	408,400	--
IOWA...........	6,787,812	55	7,206,972	54	3,052,500	--
KANSAS.........	5,913,952	35	5,520,430	34	2,373,600	--
KENTUCKY.......	3,194,683	15	3,311,549	16	1,607,900	--
LOUISIANA......	2,796,019	35	15,111,104	63	8,343,600	--
MAINE..........	729,504	13	691,230	9	109,400	--
MARYLAND.......	390,598	4	417,537	3	91,200	--
MASSACHUSETTS..	812,329	10	995,832	9	291,700	--
MICHIGAN.......	1,558,986	10	1,645,937	8	719,000	--
MINNESOTA......	2,448,105	19	3,131,653	21	1,370,200	--
MISSISSIPPI....	25,712,643	215	42,071,953	192	22,931,400	--
MISSOURI.......	7,529,319	42	6,024,716	35	2,654,300	--
MONTANA........	755,909	12	1,155,838	11	342,700	--
NEBRASKA.......	2,980,769	17	2,949,473	16	1,353,400	--
NEVADA.........	109,998	1	657,473	1	361,000	--
NEW HAMPSHIRE..	535,645	8	236,450	3	0	--
NEW JERSEY.....	779,828	10	1,373,142	10	372,600	--
NEW MEXICO.....	5,012,837	21	14,268,911	22	9,042,200	--
NEW YORK.......	1,186,348	11	2,576,322	10	1,276,100	--
NORTH CAROLINA.	3,166,704	25	5,057,716	31	2,366,300	--
NORTH DAKOTA...	378,176	7	1,078,375	7	474,000	--
OHIO...........	3,998,237	18	3,649,166	19	1,656,300	--
OKLAHOMA.......	9,072,499	80	8,999,040	78	3,146,500	--
OREGON.........	1,650,001	10	1,669,432	9	707,300	--
PACIFIC BASIN..	173,370	0	615,456	3	291,700	--
PENNSYLVANIA...	3,814,722	22	6,350,743	21	3,500,200	--
PUERTO RICO....	1,244,446	9	7,454,691	20	4,083,600	--
RHODE ISLAND...	44,961	2	107,945	2	0	--
SOUTH CAROLINA.	1,538,457	15	2,420,182	15	1,126,600	--
SOUTH DAKOTA...	49,970	1	119,253	2	0	--
TENNESSEE......	3,809,266	26	4,028,550	33	1,316,200	--
TEXAS..........	11,622,188	123	25,301,446	132	12,508,800	--
UTAH...........	846,663	9	2,084,099	11	974,200	--
VERMONT........	1,162,995	10	1,050,837	9	331,800	--
VIRGINIA.......	3,270,719	27	7,102,166	34	3,215,800	--
WASHINGTON.....	1,472,588	21	2,411,037	18	816,700	--
WEST VIRGINIA..	28,465,032	68	43,358,841	86	26,366,400	--
WISCONSIN......	1,450,046	10	5,165,370	10	3,139,200	--
WYOMING........	279,972	3	671,528	3	255,200	--
CHESTER NTC....	1,463,714	21	1,609,289	21	0	--
FORT WORTH NTC.	2,349,273	29	2,556,834	28	0	--
LINCOLN NTC....	1,467,001	22	1,702,508	23	0	--
PORTLAND NTC...	1,190,456	15	1,203,639	14	0	--
NATIONL HDQTRS.	11,200,907	71	10,813,281	61	0	--
FOREST SERVICE.	2,304,719	37	2,930,000	41	0	--
FmHA...........	252,500	7	252,500	7	0	--
TOTAL available or estimate..	$202,699,029	1,429	$314,012,759	1,480	$149,953,000	--

WATERSHED AND FLOOD PREVENTION OPERATIONS

STATUS OF PROGRAMS

Watershed operations authorized by Public Law 534. The Flood Control Act of 1944 authorizes the Secretary of Agriculture to install watershed improvement measures to reduce flood, sedimentation, and erosion damages; further the conservation, development, utilization, and disposal of water; and the conservation and proper utilization of land. Flood prevention work is authorized in the eleven watersheds designated in the Flood Control Act of December 22, 1944.

Emergency Watershed Protection. Emergency watershed protection assistance is provided to reduce hazards to life and property in watersheds damaged by severe natural events. An emergency is considered to exist when a watershed is suddenly impaired by flood, fire, drought or other natural causes which results in life and property being endangered by flooding, erosion, or sediment discharge.

The emergency area need not be declared a national disaster area to be eligible for technical and financial assistance. Emergency watershed protection is applicable to small scale localized disasters as well as disasters of national magnitude.

Funding is authorized under Sections 403-405 of the Agricultural Credit Act of 1978.

Watershed Projects authorized by Public Law 566. The Watershed Protection and Flood Prevention Act of 1954, provides for cooperation between the Federal government and the States and their political subdivisions in a program to prevent erosion, floodwater, and sediment damages; to further the conservation, development, utilization, and disposal of water; and to further the conservation and proper utilization of land in authorized watersheds.

The flood prevention (PL-534) and the watershed (PL-566) programs have similar objectives. The planning criteria, economic justifications, local sponsorship requirements, cost-sharing criteria, structural limitations, and other policies and procedures used in flood prevention projects generally parallel those used in watershed protection projects.

Current activities:

1. Technical and financial assistance for construction includes:

   a. Land treatment measures: Assurance that a program of proper land use and treatment will be carried out is a basic requirement for assistance in the development of flood prevention subwatersheds or watershed projects. The Department provides landowners and operators technical assistance to accelerate the planning and application of land treatment measures which help achieve project objectives. This accelerated assistance is in addition to that received under other conservation programs.

      When land treatment measures are installed to achieve justified offsite flood prevention benefits or when such measures provide small or long-deferred benefits to the landowner, the installation cost may be shared with Federal funds. The cost-share rate of this financial assistance may not exceed the rate of assistance for similar practices under other conservation programs of the Department. This work is accomplished through project agreements with local sponsoring organizations. The local sponsors arrange for and accomplish the work by contract or force account. Payments are made by the Federal government to the local sponsoring organizations as the land treatment measures are installed.

   b. Structural measures: Floodwater retarding structures, stream channel work, grade stabilization and sediment control structures, water storage structures, and other structures are integral parts of providing watershed protection. Detailed construction plans, designs and

specifications are prepared for these measures by the Department or by private engineers employed by the local sponsoring organization or the Department

The Federal government provides all construction funds for structural measures for flood prevention and an equitable share of the cost of installing works of improvement for agricultural water management, fish and wildlife, or recreational development. The latter includes the cost of basic facilities for public health and safety, access to recreational areas, and use of the recreational development. Local organizations must pay all costs of works of improvement for other purposes. In addition, local organizations must acquire water rights and furnish land, easements, and rights-of-way for all structural measures. However, up to one-half the cost of land, easements, and rights-of-way allocated to public fish and wildlife and recreational developments may be paid with PL-534 or PL566 funds.

c. Non-structural measures: Where practical, non-structural measures or a combination of structural and non-structural measures may be installed as part of the watershed works of improvement. Non-structural measures can consist of flood proofing buildings located in a flood plain, zoning or otherwise controlling certain flood plain areas to restrict further development, removal of buildings from the flood area, and other similar measures.

   Financial assistance to local sponsoring organizations for installation of non-structural measures is provided in the same manner as for installation of structural measures. The local share for installation of nonstructural measures must be at least 25 percent.

d. Installation of measures: In PL-534 subwatersheds, the Department usually does the contracting. In PL-566 watersheds, local organizations must administer construction contracts, unless they request SCS to do so. In PL-566 watersheds, funds for installation of planned structural measures on non-Federal lands are provided to local organizations under the terms and conditions set forth in project agreements. Federal agencies carry out the watershed construction program on Federal lands which they administer.

   Engineering assistance is provided for flood prevention, agricultural water management, and for water resource development or improvement for public fish and wildlife and recreational purposes, either directly by the Federal government or by the local organizations with advances or reimbursement from the Federal government. The Department may also supply up to one-half the cost of engineering assistance required for the installation of basic facilities for public fish and wildlife and recreational development.

   Advances may be made to local sponsoring organizations to provide for immediate acquisition of easements and rights-of-way. Also, advances may be made to provide up to 30 percent of the total estimated cost of a proposed impounding structure when such structures are to be used for additional storage of water to meet anticipated future demands for municipal and industrial uses. In each case, advances must be repaid with interest. Advances for preservation of structure sites must be repaid before construction begins.

   Local organizations must operate and maintain the completed works of improvement on non-Federal lands.

2. Detailed subwatershed work plans are prepared for PL-534 flood prevention projects in cooperation with soil conservation districts and other local sponsoring organizations. These plans outline soil and water management

problems in subwatersheds, what is proposed to be done to alleviate these problems, the estimated benefits and costs, cost-sharing, and operation and maintenance arrangements.

3. Program evaluation studies are carried out in selected watershed projects to assess effectiveness of structural and land treatment measures installed and assure safe and reasonable design.

4. Loans and loan services are provided to finance the local share of the costs of installing planned works of improvement. Repayment with interest is required within 50 years after the principal benefits of improvements first become available. Loans are financed from the Agricultural Credit Insurance Fund of the Rural Development Administration.

5. Emergency measures: This authority permits installation of emergency measures for immediate protection of life or property from flooding, erosion, or sedimentation damage until long-range practices can become effective. Emergency work includes but is not limited to establishing quick vegetative cover on denuded land, the sloping of steep and eroding banks, opening dangerously restricted channels, repairing diversions and levees, and other emergency work. This work is done to the extent funds are available. Prompt action to alleviate hazardous watershed conditions is essential. Flooding or wind erosion can cause extensive damage to impaired watersheds left unprotected. The Soil Conservation Service administers the program, provides technical and financial assistance, and arranges with local contractors to do the installation work. The Forest Service is responsible for installing measures on the national forest reserve.

PROGRAM ASSIGNMENTS

The Soil Conservation Service has general responsibility for administration of the Watershed Protection and Flood Prevention Act and the work authorized under the Flood Control Act. This includes responsibility for the installation of land treatment measures and structural works of improvement in authorized watersheds on non-Federal land and on Federal lands by arrangement with the administering agency.

The Forest Service is responsible for installing planned land treatment measures and certain structural works on national forests and other lands administered by the Forest Service in authorized projects. It is also responsible, in cooperation with and through State and local agencies, for the installation of planned forestry measures on forest lands within projects.

The Forest Service does emergency work on national forest reserve lands and on adjacent land which they administer under formal agreement.

The Rural Development Administration has responsibility for administration of Sections 4 and 8 of the Act as they relate to loans and advances to local organizations.

The Economic Research Service makes special economic analyses of watershed or subwatershed projects on a reimbursable basis.

The Agricultural Research Service carries out trap efficiency studies to determine water and sediment outflow from reservoirs for use in designing floodwater retarding structures.

The Department of Interior's Bureau of Land Management and Bureau of Indian Affairs participate in the installation of works of improvement on lands under their jurisdiction.

The following table shows the appropriated funds obligated for PL-534 watershed operations, emergency operations, and PL-566 small watersheds in FY 1992.

	PL-534 Operations	Emergency Operations	PL-566 Small Watersheds	Total
Direct Funds:				
Soil Conservation Service..........	$29,631,015	$26,241,196	$144,269,599	$200,141,810
Forest Service.....	1,977,556	1,847	325,316	2,304,719
Rural Develop Admin	80,000	0	172,500	252,500
Total, Direct.......	$31,688,571	$26,243,043	$144,767,415	$202,699,029
Reimbursable Funds:				
Soil Conservation Service...........	$1,629,899	$2,456,694	$9,856,892	$13,943,485
Forest Service.....	0	0	0	0
Total Obligations...	$33,318,470	$28,699,737	$154,624,307	$216,642,514

Watershed Operations Authorized by PL-534 (Flood Prevention Operations)

Because the authorized flood prevention projects include relatively large areas, work plans are developed on a subwatershed basis. As of September 30, 1992, the total planning job was about 83 percent completed, with 326 work plans completed that include 21,913,962 acres. The following table summarizes the status of subwatershed planning by authorized project:

Flood Prevention Projects	Total Authorized Area	Subwatershed and other areas with planning potential		Subwatershed and Other work plans prepared to 9/30/92	
	Acres	No.	Acres	No.	Acres
Buffalo Creek, NY a/...	279,680	3	279,680	3	279,680
Colorado (Middle), TX..	4,613,120	18	4,357,000	18	4,357,000
Coosa, GA a/...........	1,339,400	16	1,339,400	16	1,339,400
Little Sioux, IA.......	1,740,800	147	377,574	123	328,411
Little Tallahatchie, MS	963,977	17	562,876 b/	17	562,876
Los Angeles, CA........	536,960	10	301,731 c/	10	301,731
Potomac, W. VA & VA....	4,205,400	36	1,989,234	36	1,989,234
Santa Ynez, CA.........	576,000	5	368,550 d/	5	368,550
Trinity, TX............	8,424,260	53	6,958,193	53	6,958,193
Washita, TX & OK.......	5,095,040	64	5,095,040	64	5,095,040
Yazoo, MS..............	7,661,278	86	7,048,324	86	7,048,324
TOTAL................	35,435,915	455	28,677,602	431	28,628,439

a/ The Buffalo Creek Watershed was completed and closed in 1964 and reopened in 1992 for repairs. The Coosa Watershed was completed and closed in 1981.
b/ Excludes 96,501 acres of Sardis Reservoir area, and 304,000 acres in minor watersheds needing only land treatment measures.
c/ Includes national forest and other lands, for which the Forest Service has been assigned program responsibility.
d/ Excludes 195,818 acres of reservoir area.

The estimated Federal cost for each watershed and total Federal obligations through FY 1992:

Flood Prevention Project	Estimated Total Federal Cost	Obligations $ (cumulative) a/ 9/30/92
Buffalo Creek Watershed, NY (Complete)...........................	$5,451,096	$5,451,096
Middle Colorado River Watershed, TX.....	67,543,773	58,949,525
Coosa River Watershed, GA and TN (Complete)...........................	18,241,160	18,241,160
Little Sioux River Watershed, IA........	142,988,919	61,786,344
Little Tallahatchie River Watershed, MS.	170,702,722	55,357,324
Los Angeles River Watershed, CA.........	81,925,270	60,357,886

Flood Prevention Project	Estimated Total Federal Cost	Obligations $ (cumulative) a/ 9/30/92
Potomac River Watershed, MD PA, VA, and WV.........................	129,646,193	97,416,329
Santa Ynez River Watershed, CA..........	48,627,478	39,338,728
Trinity River Watershed, TX............	246,894,200	169,187,066
Washita River Watershed, OK and TX......	191,478,686	159,845,966
Yazoo River Watershed, MS...............	521,461,158	215,841,287
TOTAL................................	$1,624,960,655	$941,772,711

a/ Does not include Rural Development Administration obligations of $80,000.

Small Watershed Operations Authorized by PL-566

Watershed plans involving an estimated Federal contribution in excess of $5,000,000 for construction, or construction of any single structure having a capacity in excess of 2,500 acre feet, require Congressional committee approval. Other plans are approved administratively. After approval, technical and financial assistance can be provided for installation of works of improvement specified in the plans.

Project sponsors are provided assistance in installing planned land treatment measures when plans are approved. Surveys and investigations are made and detailed designs, specifications, and engineering cost estimates are prepared for construction of structural measures. Areas where sponsors need to obtain land rights, easements, and rights-of-way are delineated. Technical assistance is also furnished to landowners and operators to accelerate planning and application of needed conservation on their individual units.

The project enters construction when the first project agreement for construction of works of improvement is signed. Under a project agreement, the sponsoring local organization agrees to construct a single or an interrelated group of structures. The government and the sponsoring local organization agree to share the construction costs as specified in the work plan. Engineering and other assistance are provided for preparation of contracts and inspection of construction.

When the local organization does the contracting, payments are made to them as the work progresses in accordance with the terms of the project agreement. When the local organization requests the SCS to do the contracting for works of improvement, the SCS makes payments directly to the contractor as the work progresses. Payments include amounts financed from Federal funds and from local organizations which fund their share of the construction costs.

In FY 1992, 11 projects were approved for operation which brought to 1,534 the total number of projects approved as of September 30, 1992. Of the 789 projects in operation in 1992, 185 were installing watershed protection land treatment services and 427 were receiving engineering services or in construction at the end of the year. Ten projects were completed in 1992 which brought the total number completed to 745 as of September 30, 1992. Land treatment assistance was continued on 35 projects on which construction has been completed prior to October 1, 1992. One hundred sixty-five of the approved projects did not require Federal funds during the FY 1992 because of project inactivity. A total of 142 have been deauthorized due to the unlikelihood of further project activity.

Obligations Related to PL-566 Watershed Projects

The following tabulation shows by State descriptive information concerning the extent of the program and rate of progress in obligating funds for the installation of works of improvement in PL-566 watersheds. There are 62 multi-State projects. Obligations and staff-years are distributed between the States as applicable.

State	Number Projects Approved 9/30/92	Total Federal Obligations FY 1992	FY 1992 Federal Staff-year Input	Total Watershed Area Acres	Total Estimated Cost	Total Federal Estimated Cost	% Federal Cost to Total Cost	Total Cumulative Federal Obligations 9/30/92	% Federal Cost Obligated as of 9/30/92
Alabama	49	1,938,977	20	2,972,362	140,917,538	106,712,201	75.7	76,350,710	71.5
Arizona	16	2,544,485	25	1,217,462	179,720,328	132,441,787	73.7	108,528,613	81.9
Arkansas	63	5,386,942	35	3,381,394	241,926,983	181,980,274	75.2	135,917,458	74.7
California	27	8,057,823	38	1,256,413	291,256,869	205,056,512	70.4	168,281,542	82.1
Colorado	22	889,664	9	1,380,246	54,100,005	42,008,253	77.6	37,757,870	89.9
Connecticut	12	3,173,048	12	214,856	101,608,559	52,889,317	52.1	41,654,507	78.8
Delaware	6	848,121	9	411,663	29,788,059	27,161,636	91.2	26,880,757	99.0
Florida	26	825,589	7	1,623,568	62,208,515	37,299,151	60.0	29,925,517	80.2
Georgia	70	2,343,076	17	4,404,173	269,435,646	212,579,519	78.9	89,210,764	42.0
Hawaii	10	981,719	10	624,542	68,347,768	58,618,334	85.8	41,683,388	71.1
Idaho	19	852,071	11	848,482	20,935,335	16,609,201	79.3	16,609,201	100.0
Iowa	53	4,807,038	37	1,251,860	156,763,600	116,499,671	74.3	98,080,960	84.2
Illinois	30	3,628,909	20	1,685,550	292,537,801	185,173,014	63.3	120,739,162	65.2
Indiana	40	1,078,520	11	2,445,382	123,687,351	88,144,188	71.3	72,731,305	82.5
Kansas	61	6,572,263	44	5,774,346	307,060,065	223,133,065	72.7	162,591,917	72.9
Kentucky	42	2,229,702	14	2,572,913	115,852,749	91,693,465	79.1	79,337,217	86.5
Louisiana	48	1,534,748	32	5,920,975	168,761,909	119,342,682	70.7	110,972,811	93.0
Maine	19	598,289	13	910,054	27,602,493	21,306,628	77.2	16,474,705	77.3
Maryland	21	434,875	4	521,323	35,267,948	22,056,375	62.5	20,578,250	93.3
Massachusetts	12	862,517	11	460,232	98,869,479	41,168,342	41.6	34,609,111	84.1
Michigan	26	1,741,750	12	1,364,456	46,925,079	29,108,410	62.0	25,324,886	87.0
Minnesota	19	2,724,751	23	1,697,719	74,570,013	53,546,450	71.8	45,189,533	84.4
Mississippi	59	5,423,091	52	4,589,493	355,336,758	219,683,591	61.8	143,568,660	65.4
Missouri	28	8,354,584	51	1,940,846	182,630,219	152,670,956	83.6	81,350,542	53.3
Montana	21	816,848	14	1,398,621	41,741,066	30,690,583	73.5	25,423,842	82.8
Nebraska	52	3,317,609	21	3,494,759	138,119,132	119,063,309	86.2	93,467,839	78.5
Nevada	6	122,425	1	402,962	8,425,330	5,160,270	61.2	2,965,627	57.5

State	Number Projects Approved 9/30/92	Total Federal Obligations FY 1992	FY 1992 Federal Staff-year Input	Total Watershed Area Acres	Total Estimated Cost	Total Federal Estimated Cost	% Federal Cost to Total Cost	Total Cumulative Federal Obligations 9/30/92	% Federal Cost Obligated as of 9/30/92
New Hampshire	7	443,032	7	456,770	27,670,347	21,818,728	78.9	21,818,728	100.0
New Jersey	15	580,950	10	389,347	82,957,963	43,122,616	52.0	40,647,066	94.3
New Mexico	28	5,579,313	28	1,681,677	199,295,411	162,960,892	81.8	100,890,105	61.9
New York	23	1,071,368	12	965,538	83,594,366	72,943,145	87.3	58,127,013	79.7
North Carolina	58	3,458,657	30	2,642,534	159,598,683	97,994,858	61.4	82,284,839	84.0
North Dakota	19	420,911	7	2,378,471	54,170,663	40,419,210	74.6	34,913,105	86.4
Ohio	24	4,193,676	23	2,136,326	107,558,563	96,754,128	90.0	92,646,067	95.8
Oklahoma	76	6,625,135	69	7,350,057	470,622,340	341,196,148	72.5	236,827,483	69.4
Oregon	21	1,836,453	13	1,192,156	114,989,097	73,428,430	63.9	36,038,389	49.1
Pacific Basin		16,682	0					16,682	
Pennsylvania	30	4,245,806	27	1,498,107	150,732,262	110,445,692	73.3	94,757,140	85.8
Puerto Rico	4	629,422	8	266,002	115,367,544	56,542,544	49.0	10,296,756	18.2
Rhode Island	1	50,039	2	24,100	735,944	654,944	89.0	549,983	84.0
South Carolina	57	1,131,983	15	3,643,298	85,684,521	62,935,308	73.5	52,704,042	83.7
South Dakota	15	55,617	1	758,801	21,564,571	15,328,422	71.1	11,465,506	74.8
Tennessee	45	4,013,757	30	2,211,042	168,521,579	145,383,307	86.3	95,193,512	65.5
Texas	96	9,388,204	83	9,905,984	515,028,814	440,457,502	85.5	344,425,194	78.2
Utah	14	942,338	10	1,334,287	50,204,812	38,449,866	76.6	35,424,447	92.1
Vermont	11	1,001,653	10	734,727	27,571,422	19,460,131	70.6	15,890,083	81.7
Virginia	40	2,720,642	23	2,253,879	112,298,475	92,341,386	82.2	65,849,772	71.3
Washington	20	1,027,088	22	652,296	120,416,204	74,337,930	61.7	45,848,606	61.7
West Virginia	32	20,777,829	52	1,250,636	252,505,911	210,409,701	83.3	141,416,030	67.2
Wisconsin	28	1,613,908	12	1,468,999	62,208,432	53,042,063	85.3	42,813,904	80.7
Wyoming	13	311,640	3	615,236	15,557,213	10,531,961	67.7	9,215,527	87.5
Total	1,534	144,225,537	1,050[a]/	100,576,922	6,633,251,734	4,872,756,096	73.5	3,576,266,673	73.4

a/ Soil Conservation Service staff-years only. There are an additional 5 Rural Development Administration staff-years and an additional 1 Forest Service staff-year funded by this activity for a total of 1,056 staff-years.

Multiple Purpose Projects

On October 1, 1992, 691 multipurpose projects had been approved for operation under the Public Law 566 program. This represents 45 percent of the 1534 projects which were operational and indicates that the program continues to provide solutions to a broad range of local problems.

Agricultural Water Management. Three hundred ninety-four watershed projects include structural measures for agricultural water management in addition to flood prevention features. Of these, 303 include drainage improvements on existing cropland and 91 include irrigation.

Recreation. Two hundred seventy-four small watershed projects approved as of September 30, 1992 include developments to create or improve facilities for the enjoyment of outdoor recreation in addition to flood prevention and watershed protection. Local sponsoring organizations are responsible for operating and maintaining the reservoirs and recreation areas.

Municipal Water. As of September 30, 1992, local sponsors of 169 watershed projects had included municipal water supply features in their watershed plans in addition to flood prevention and watershed protection.

Acceleration of Soil Surveys and Conservation Planning in Watershed and Flood Prevention Projects

Watershed and Flood Prevention Operations funds are used to accelerate soil surveys, conservation planning, and installation of conservation land treatment measures in PL-534 subwatersheds and PL-566 watershed projects as specified in project plans. This acceleration of technical assistance is provided to help meet project objectives within the agreed upon installation period.

In FY 1992, 190,019 acres of conservation and ranch plans were prepared with Watershed and Flood Prevention Operations funds.

Loan Programs

Under Public Law 83-566, as amended and Public Law 78-534, loans are made to local organizations for financing the local share of the cost of installing, repairing, or improving works of improvements and water storage facilities, purchasing sites or rights-of-way and for related costs in approved watershed works of improvement and flood prevention projects. The Rural Development Administration has been assigned responsibility for making these loans to sponsors of such projects approved for operations. No loan may be made until the Soil Conservation Service and the local organization have agreed on a plan for works of improvement. Public Law 92-419, approved August 30, 1972, provided for making such loans on an insured basis under the Agricultural Credit Insurance Fund.

These loans are repayable in not more than 50 years at an interest rate based on the average rate paid by the U.S. Treasury on obligations of similar maturity. The rate in FY 1992 was 9.737 percent. For a single plan for works of improvement, the amount of the loan may not exceed $10 million.

Applications for loans received by the Rural Development Administration have varied greatly in amount. Presently, there are several applications pending. Most applications have included requests for funds to purchase easements or rights-of-way and pay legal fees and organization costs. The larger loan requests have also included funds to pay the local organization's share of the installation costs of drainage channels, municipal water storage, irrigation works, recreational facilities, natural beauty, and other multiple-purpose improvements. In FY 1992 two loans were obligated. There are currently 193 borrowers outstanding at a value of $58.4 million. Over the life of the program, 495 loans have been made at a value of almost $176 million.

Item	1992 Actual No.	1992 Actual $ (000)	1993 Estimated No.	1993 Estimated $ (000)	1994 Estimated No.	1994 Estimated $ (000)
1. Loans obligated during year	2	502	2	500	2	500
2. Borrowers outstanding	193	58,427	193	58,427	193	58,427
3. Loans cumulative	495	175,903	495	175,903	495	175,903

Improvements Installed in Watershed and Flood Prevention Projects

The following table contains a listing of the technical services provided, lands improved and erosion reduced, and land treatment measures installed within project areas by the Soil Conservation Service with funds from the Watershed and Flood Prevention Operations Program in 1992. The Forest Service also uses these funds on National forest lands to stabilize critical areas, roads and roadbanks; to reduce fire hazards and improve fire control; to plant and seed trees and grass; for range and waste land grazing; for wildlife habitat; for recreation; and also for vegetating surface mined areas and/or water management:

Agency	Units	Programs: Small Watersheds PL-566	Programs: Flood Prevention PL-534	Total
SOIL CONSERVATION SERVICE				
Technical Services:				
Individuals and groups provided one or more technical services	Number	9,414	6,709	16,123
State, local or other Federal units of government provided one or more technical services	Number	82	92	174
Individuals and groups of individuals who installed one or more land treatment measures to lands under their control	Number	4,447	3,519	7,966
Conservation planning achieved with land users receiving technical services	Acres	162,061	27,958	190,019
Lands Improved:				
Estimated land improved and tons of reduced erosion on lands within watershed project areas:				
Cropland	Acres	255,988	184,080	440,068
	Tons	1,536,549	1,094,676	2,631,225
Pasture and Hayland	Acres	63,645	148,605	212,250
	Tons	338,051	555,856	893,907
Range and Nature Pasture	Acres	161,805	213,516	375,321
	Tons	648,630	542,508	1,191,138
Woodland	Acres	10,846	1,410	12,256
	Tons	73,706	3,306	77,012
All Other	Acres	26,898	39,355	66,253
	Tons	70,546	125,248	195,794
Total	Acres	519,182	586,966	1,106,148
	Tons	2,667,482	2,321,594	4,989,076

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

[Watershed Planning]

[For necessary expenses for small watershed investigations and planning, in accordance with the Watershed Protection and Flood Prevention Act, as amended (16 U.S.C. 1001-1008), $9,545,000: Provided, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $50,000 shall be available for employment under 5 U.S.C. 3109.]

Watershed Planning

PROJECT STATEMENT
(On basis of appropriation)

Project	1992 Amount	1992 Staff Years	1993 Estimated Amount	1993 Estimated Staff Years	Increase or Decrease	1994 Estimated* Amount	1994 Estimated* Staff Years
Watershed Planning.	$9,545,000	156	$9,545,000	155			

*NOTE: The technical assistance and related staff years are reflected in the Salaries and Expenses account of the Farm Service Agency in 1994.

PROJECT STATEMENT
(On basis of available funds)

Project	1992 Amount	1992 Staff Years	1993 estimated Amount	1993 estimated Staff Years	Increase or Decrease	1994 estimated* Amount	1994 estimated* Staff Years
Direct Obligations:							
Watershed Planning:							
1. Small watershed planning authorized by PL-566	$9,519,219	156	$9,545,000	155			
Unobligated balance lapsing..........	(+25,781)	--	--	--			
Total avail. or est	(9,545,000)	(156)	(9,545,000)	(155)			
Reimbursable oblig.	94,283	2	200,000	2			
Obligational auth..	$9,613,502	158	$9,745,000	157			

*NOTE: The technical assistance and related staff years are reflected in the Salaries and Expenses account of the Farm Service Agency in 1994.

SOURCES OF REIMBURSEMENTS

	1992 Actual	1993 Estimated	Increase or: Decrease	1994 Estimated
Within USDA.....................	$1,532	$4,000		
Other Federal Sources...........	--	--		
Non-federal Sources.............	92,751	196,000		
Total reimbursements............	$94,283	$200,000		

OUTLAYS

	1992 Actual	1993 Estimated	Increase or: Decrease	1994 Estimated
Small watershed planning authorized by PL-566...........	$9,279,710	$9,780,000	-$8,348,000	$1,432,000

EXPLANATION OF PROGRAM

The appropriation "Watershed Planning," funds activities authorized by the Watershed Protection and Flood Prevention Act (Public Law 83-566), as amended, which relate to planning of individual watershed projects.

The Department makes surveys of proposed small watershed projects and prepares plans in cooperation with local sponsors. The planning activities consist of:

-- Cooperation between the Federal Government and State governments and their political subdivisions in assisting local sponsoring organizations develop plans for proposed watershed projects,

-- Conducting surveys and investigations to determine the land and water resource problems and opportunities within the watershed,

-- Studying alternatives to provide the best combination of land treatment, nonstructural, and structural measures for the protection, conservation, development, management, and utilization of land, water, and related resources,

-- Compiling information that is the basis for mutual agreement by the Department, local organizations, and the public concerning the possible alternative solutions which will best meet environmental, social, and economic goals,

-- Making environmental assessments concurrently with other planning efforts for every proposed watershed project, and

-- Preparing environmental impact statements when applicable and making them available to the public.

The watershed plans:

-- Identify the soil and water management problems in the watershed.

-- List the steps that have been or are authorized to be taken to alleviate these problems.

-- Outline the proposed works of improvement to be installed.

-- Itemize the estimated benefits and costs.

-- Set out the cost-sharing and operation and maintenance arrangements.

-- Present other facts necessary to justify Federal participation in project development.

The following table lists actual and projected progress for small watershed applications, planning, and operations for fiscal years 1992 and 1993. These activities will be carried out under the authorities of the Salaries and Expenses account of the Farm Service Agency in fiscal year 1994:

Activity	1992 Actual	1993 Estimate	1994 Estimate
1. Application for planning assistance:			
On hand, cumulative, start of year...	2,402	2,431	
Net change during year..............	29	20	
On hand, cumulative, end of year.....	2,431	2,451	
Consisting of:			
a. Authorized for planning.........	2,144	2,174	
b. Available for planning..........	287	277	
2. Status of planning:			
Authorized, cumulative, start of year	2,111	2,144	
LESS:			
Suspended or terminated, cumulative, start of year......................	521	522	
Completed, cumulative, start of year.	1,523	1,534	
SUBTOTAL:			
Planning in process, start of year...	67	88	
PLUS:			
New authorizations during year.......	33	30	
LESS:			
Terminated during year...............	1	6	
Completions during year..............	11	30	
Planning in process, end of year.....	88	82	

Activity	1992 Actual	1993 Estimate	1994 Estimate
3. Status of projects in operations:			
Uncompleted projects start of year...	786	787	
Projects approved for operations.....	11	30	

SOIL CONSERVATION SERVICE
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1992 and Estimated 1993 and 1994
WATERSHED PLANNING

	1992		1993		1994	
	AMOUNT	STAFF YEARS	AMOUNT	STAFF YEARS	AMOUNT	STAFF YEARS
ALABAMA........	$174,926	3	$179,831	3		
ALASKA.........	136,999	2	205,521	3		
ARIZONA........	68,622	2	133,589	4		
ARKANSAS.......	188,989	4	195,245	4		
CALIFORNIA.....	414,999	7	395,628	7		
COLORADO.......	132,980	2	102,760	2		
CONNECTICUT....	45,900	1	96,595	2		
DELAWARE.......	104,873	2	102,760	2		
FLORIDA........	85,002	2	87,346	2		
GEORGIA........	94,907	2	92,484	2		
HAWAII.........	202,976	2	313,419	3		
IDAHO..........	124,994	2	118,174	2		
ILLINOIS.......	74,443	2	123,313	3		
INDIANA........	119,996	2	123,313	2		
IOWA...........	243,989	5	250,735	5		
KANSAS.........	281,970	5	207,576	4		
KENTUCKY.......	150,986	3	102,760	2		
LOUISIANA......	150,908	3	128,451	2		
MAINE..........	57,992	1	82,208	1		
MARYLAND.......	65,002	1	61,656	1		
MASSACHUSETTS..	49,923	1	17,058	0		
MICHIGAN.......	82,995	2	97,622	2		
MINNESOTA......	171,003	3	174,693	3		
MISSISSIPPI....	124,961	2	102,760	2		
MISSOURI.......	348,997	5	308,281	4		
MONTANA........	169,998	4	154,141	4		
NEBRASKA.......	291,001	5	292,867	6		
NEVADA.........	109,997	2	71,932	1		
NEW HAMPSHIRE..	185,998	3	157,634	2		
NEW JERSEY.....	82,451	1	97,622	1		
NEW MEXICO.....	49,979	1	51,380	1		
NEW YORK.......	154,263	2	154,141	2		
NORTH CAROLINA.	178,002	2	184,969	2		
NORTH DAKOTA...	99,999	2	128,451	3		
OHIO...........	207,675	4	213,742	4		
OKLAHOMA.......	390,001	7	400,766	7		
OREGON.........	129,973	2	123,313	2		
PACIFIC BASIN..	81,754	2	56,518	1		
PENNSYLVANIA...	103,998	2	82,208	2		
PUERTO RICO....	59,950	1	102,760	2		
RHODE ISLAND...	18,501	0	25,690	0		
SOUTH CAROLINA.	105,000	2	102,760	2		
SOUTH DAKOTA...	159,973	2	102,760	1		
TENNESSEE......	149,983	3	113,036	2		
TEXAS..........	269,998	5	277,453	5		
UTAH...........	99,077	2	126,395	2		
VERMONT........	41,566	1	61,656	1		
VIRGINIA.......	114,421	2	102,760	2		
WASHINGTON.....	99,891	2	102,760	2		
WEST VIRGINIA..	249,951	2	215,797	2		
WISCONSIN......	130,001	3	102,760	2		
WYOMING........	83,003	1	77,071	1		
CHESTER NTC....	214,989	3	220,110	3		
FORT WORTH NTC.	325,583	4	309,177	4		
LINCOLN NTC....	320,001	4	346,032	4		
PORTLAND NTC...	335,910	5	332,722	5		
NATIONL HDQTRS.	509,965	7	546,839	7		
FOREST SERVICE.	297,035	2	303,000	3		
TOTAL available or estimate..	$9,519,219	156	$9,545,000	155		

WATERSHED PLANNING

STATUS OF PROGRAM

The Watershed Protection and Flood Prevention Act, Public Law 83-566, August 4, 1954, provides for cooperation between the Federal Government and the States and their political subdivisions in a program of watershed planning. The watershed planning work of the Department consists of assisting sponsoring local organizations to develop a plan on watersheds not exceeding 250,000 acres. The soil erosion, flooding, water and land management, and sedimentation problems in a watershed are described and works of improvement are proposed to alleviate these problems. The resulting watershed plans form the basis for installing needed works of improvement. Plans also include conservation land treatment needed to conserve and protect land, water, and related resources. Plans include estimated benefits and costs, cost-sharing, operation and maintenance arrangements, and other information necessary to justify Federal assistance for carrying out the plan.

PROGRAM ASSIGNMENTS

The Soil Conservation Service is responsible for administration of the Watershed Planning Program. During FY 1992, the Soil Conservation Service obligated $9,222,184 of the funds for watershed planning.

The Forest Service is responsible for planning the forestry "measures for national forest lands and for fire prevention forestry measures on non-Federal forest lands in the watersheds. During FY 1992, the Forest Service obligated $297,035 of the funds for watershed planning.

In addition to those agencies receiving allocations, other Federal agencies are reimbursed for services as needed. The Economic Research Service assists with development of criteria to be used in economic analysis of watershed projects. The Department of the Interior's Bureau of Land Management and Bureau of Indian Affairs are provided funds when needed to plan watershed measures for Federal lands which they administer. The National Oceanic and Atmospheric Administration of the Department of Commerce and the U.S. Geological Survey of the Department of the Interior provide precipitation and runoff data.

DEVELOPING WATERSHED PLANS

Watershed planning is a coordinated investigation of the physical, environmental, social, and economic conditions specific to a watershed. The plan displays the benefits and opportunities for conservation, development, and management of land, water, and related resources. Planning includes an analysis of alternatives to solve watershed problems and to find the most cost effective, acceptable solution. Watershed planning requires the skills of soil conservationists, economists, hydrologists, geologists, foresters, and engineers. Support is provided by soil scientists, social scientists, biologists, plant technologists, and recreation and environmental specialists. Interested Federal, State, and local agencies and the general public are given an opportunity and are encouraged to participate in and contribute to the planning process. This assures that works of improvement included in plans are consistent with other programs and are compatible with local, regional and national goals. Each watershed is planned so that the national economic development objective is reasonably maximized. The plan must be one which the local people are able, willing, and ready to install with assistance provided under the program, and one which they can and will effectively operate and maintain.

Environmental assessments are made by the Soil Conservation Service and others for each watershed being planned. These assessments are integrated into the planning process at the earliest possible stage. Environmental impact statements, when required, and findings of no significant impact are submitted for review and comment to local, State, and Federal agencies and are available to the general public. This provides an opportunity to obtain formal comments from a wide range of interests during planning.

Current Activities: The Soil Conservation Service (SCS) establishes policy and general criteria to be used to develop watershed plans for directing the watershed purposes to reflect the Department of Agriculture's long-term conservation objectives and overall priorities as set forth in the National Conservation Program. Planning starts approved during FY 1992 were directed to the highest NCP priorities, i.e., erosion control, water quality, water conservation and flood prevention; and to projects that promote rural development; benefit low income and minority groups; and reduce Federal cost-share assistance for installation.

At the beginning of FY 1992 there were 291 viable applications for watershed planning assistance. During the year, 32 applications were received, and 33 applications were approved for planning from all applications on hand. As of September 30, 1992, there were 287 viable applications for watershed planning assistance.

Watershed Planning Progress by State - September 30, 1992

	Applications Received		Planning Authorized		Plans Completed	
State	No.	Acres	No.	Acres	No.	Acres
AL	67	4,212,443	59	3,768,143	49	$2,972,362
AR	90	6,666,344	86	6,588,793	63	3,381,394
AZ	29	2,803,362	21	1,832,082	16	1,217,462
CA	69	4,364,295	58	3,928,337	27	1,256,413
CO	42	2,706,471	39	2,486,621	22	1,380,246
CT	18	375,773	17	298,973	12	214,856
DE	8	539,163	8	539,163	6	411,663
FL	45	3,263,455	43	3,176,355	26	1,623,568
GA	88	6,158,581	85	6,041,681	70	4,404,173
HI	17	782,662	15	722,862	10	624,542
IA	71	2,007,080	62	1,458,120	53	1,251,860
ID	34	2,006,949	32	1,794,839	19	848,482
IL	63	3,768,251	60	3,545,221	30	1,685,550
IN	67	5,004,551	66	4,965,051	40	2,445,382
KS	102	11,353,994	78	7,956,686	61	5,774,346
KY	59	3,495,112	55	3,155,268	42	2,572,913
LA	76	8,918,418	62	7,412,868	48	5,920,975
MA	17	561,274	17	561,274	12	460,232
MD	39	1,394,204	35	1,134,108	21	521,323
ME	30	1,824,337	26	1,283,737	19	910,054
MI	35	1,910,117	35	1,910,117	26	1,364,456
MN	35	2,826,956	31	2,577,463	19	1,697,719
MO	66	5,803,710	45	3,493,297	28	1,940,846
MS	92	6,736,967	73	5,689,483	59	4,589,493
MT	33	2,166,271	32	2,154,271	21	1,398,621
NC	92	5,309,813	79	4,497,640	58	2,642,534
ND	37	4,874,516	32	4,222,456	19	2,378,471
NE	94	8,067,827	65	4,415,960	52	3,494,759
NH	14	1,055,082	12	1,021,382	7	456,770
NJ	23	748,642	21	669,642	15	389,347
NM	41	3,120,468	41	3,120,468	28	1,681,677
NV	17	1,814,646	17	1,814,646	6	402,962
NY	32	1,471,568	31	1,469,168	23	965,538
OH	49	5,317,203	34	3,300,727	24	2,136,326
OK	104	10,161,970	84	8,500,987	76	7,350,057
OR	36	2,831,375	34	2,522,535	21	1,192,156
PA	47	1,994,470	40	1,845,068	30	1,498,107
PR	7	356,710	6	281,710	4	266,002
PB	4	2,930	2	1,450	0	0
RI	3	128,340	3	128,340	1	24,100
SC	75	5,266,400	68	4,456,750	57	3,643,298
SD	24	1,890,912	23	1,868,179	15	758,801
TN	84	4,163,467	64	3,436,347	45	2,211,042
TX	116	12,223,635	115	11,805,745	96	9,905,984
UT	26	2,700,530	26	2,700,530	14	1,334,287

State	Applications Received No.	Applications Received Acres	Planning Authorized No.	Planning Authorized Acres	Plans Completed No.	Plans Completed Acres
VA	50	2,727,318	48	2,653,350	40	2,253,879
VT	16	1,469,647	17	1,469,647	11	734,727
WA	35	1,648,287	34	1,590,567	20	652,296
WI	42	2,336,786	41	2,254,226	28	1,468,999
WV	47	1,884,552	43	1,695,185	32	1,250,636
WY	27	2,045,400	25	1,957,000	13	615,236
Total	2,434	177,263,234	2,144	152,174,518	1,534	100,576,922

SHARING WATERSHED PLANNING COSTS

Watershed planning staffs are available either in-State or through sharing with other States to assist local organizations in all States. A number of States that are undertaking River Basin Surveys under authority of Section 6 of Public Law 83566 have integrated their regular watershed planning staff with the river basin survey staff. This permits efficient use of technical personnel to accomplish both activities.

Watershed Planning funds averaged approximately $170,781 per State in 1992 ranging from $41,565 to $414,999. The size of the planning staffs varies according to the workload in each State. There were 30 watershed planning staffs nationwide. Staffs have been combined where individual States do not have sufficient planning workload to justify a complete staff. In most of those states without a planning staff, a water resource coordinator coordinates planning activities with combined staffs and other individual specialists.

In FY 1992 State legislatures and other local organized units in States and Puerto Rico appropriated or otherwise provided about $14,240,906 to finance watershed planning activities. This local input was through advances, reimbursements, State-controlled watershed planning staffs, or personnel provided by the States to work with Soil Conservation Service watershed planning staffs.

Planning funds obligated and staff-years used in 1992 by State were:

State	Direct Obligations	Staff Years	State	Direct Obligations	Staff Years
Alabama	174,926	4	Mississippi	124,961	2
Alaska	136,999	3	Missouri	348,997	5
Arizona	68,622	2	Montana	169,998	4
Arkansas	188,989	4	Nebraska	291,001	6
California	414,999	7	Nevada	109,997	2
Colorado	132,980	2	New Hampshire	185,998	3
Connecticut	45,900	1	New Jersey	82,451	1
Delaware	104,873	2	New Mexico	49,979	1
Dist of Co.			New York	154,263	2
(Nat. Hdq.)	509,965	7	North Carolina	178,002	2
Florida	85,002	2	North Dakota	99,999	2
Georgia	94,907	2	Ohio	207,675	4
Hawaii	202,976	2	Oklahoma	390,001	8
Idaho	124,994	2	Oregon	129,973	2
Illinois	74,443	2	Pacific Basin	81,754	0
Indiana	119,996	2	Pennsylvania	103,998	2
Iowa	243,989	5	Puerto Rico	59,950	1
Kansas	281,970	6	Rhode Island	18,501	0
Kentucky	150,986	3	South Carolina	105,000	2
Louisiana	150,908	3	South Dakota	159,973	2
Maine	57,992	1	Tennessee	149,983	3
Maryland	65,002	1	Texas	269,998	5
Massachusetts	49,923	1	Utah	99,077	2
Michigan	82,995	2	Vermont	41,566	1
Minnesota	171,003	3	Virginia	114,421	2

State	Direct Obligations	Staff Years	State	Direct Obligations	Staff Years
Washington	99,891	2	Natl Tech Ctr.	1,196,483	16
West Virginia	249,951	2	SCS Wtrshd Plng.	9,222,184	157
Wisconsin	130,001	3	Alloc. Acct.	297,035	2
Wyoming	83,003	1	Total Watershed Planning, SCS	9,519,219	159

FARM SERVICE AGENCY

The 1994 Budget Estimates include proposed changes in language as follows (new language underscored; deleted matter enclosed in brackets):

Agricultural Credit Insurance Fund Program Account:

For gross obligations for the principal amount of direct and guaranteed loans as authorized by 7 U.S.C. 1928-1929, to be available from funds in the Agricultural Credit Insurance Fund, as follows: farm ownership loans, [$555,500,000] $642,580,000, of which [$488,750,000] $563,520,000 shall be for guaranteed loans; operating loans, [$2,563,354,000] $4,772,868,000, of which [$1,500,000,000] $3,550,996,000 shall be for unsubsidized guaranteed loans and [$238,354,000] $425,620,000 shall be for subsidized guaranteed loans; [$3,752,000] $4,971,000 for water development, use, and conservation loans, of which [$1,415,000] $2,037,000 shall be for guaranteed loans; Indian tribe land acquisition loans as authorized by 25 U.S.C. 488, [$1,000,000] $1,178,000; for emergency insured loans, [$115,000,000] $121,232,000 to meet the needs resulting from natural disasters; and for credit sales of acquired property,[$88,000,000] $149,416,000. Provided, That loan funds made available herein shall be completely allocated to the States and made available for obligation in the first two quarters of fiscal year [1993] 1994.

For the cost of direct and guaranteed loans, including the cost of modifying loans as defined in section 502 of the Congressional Budget Act of 1974, as follows: farm ownership loans, [$33,599,000] $34,507,000, of which [$20,576,000] $21,132,000 shall be for guaranteed loans; operating loans, [$158,030,000] $162,366,000, of which [$18,150,000] $18,640,000 shall be for unsubsidized guaranteed loans and [$15,350,000] $50,130,000 shall be for subsidized guaranteed loans; [$499,000] $512,000 for water development, use, and conservation loans, of which [$43,000] $44,000 shall be for guaranteed loans; Indian tribe land acquisition loans as authorized by 25 U.S.C. 488, [$226,000] $232,000; for emergency insured loans, [$30,762,000] $31,593,000 to meet the needs resulting from natural disasters; and for credit sales of acquired property, [$22,405,000] $23,010,000.

In addition, for administrative expenses necessary to carry out the direct and guaranteed loan programs, [$230,179,000] $278,844,000.

AGRICULTURAL CREDIT INSURANCE FUND PROGRAM ACCOUNT
(On basis of loan level, subsidy, and administrative expenses in the Appropriation Act)
(in thousands of dollars)

	Loan Level	Subsidy	Administrative Expenses
Amount, FY 1993	$3,331,206	$245,521	$230,179
Amount, FY 1994	5,696,969	252,220	278,844
Increase in Amount	2,365,763	6,699	48,665

April 23, 1993

FARM SERVICE AGENCY

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Summary of Program Levels: FY 1992 - FY 1994

(Dollars in Thousands)

	FY 1992 Actual		FY 1993 Current Estimate		FY 1994 President's Budget	
	Number	Amount	Number	Amount	Number	Amount
FARM PROGRAM LOANS						
Direct Farm Ownership Loans.......	730	$66,659	700	$66,750	810	$79,060
Guar Farm Owners Lns (non-sub)....	2,918	451,891	2,850	454,216	3,440	563,520
Guar Farm Ownership Lns. (sub)...	2	500	0	0	0	0
Direct Farm Operating Loans.......	13,784	570,737	18,330	825,000	17,220	796,252
Guar Farm Operat Lns. (non-sub)...	9,524	956,702	25,590	1,473,106	60,060	3,550,996
Gu-- Farm Operating Lns (sub.)....	1,452	151,213	2,800	235,248	5,840	425,620
D :t Emergency Disaster Lns.....	1,602	74,883	2,390	115,000	2,450	121,232
Direct Dire Emer Supp Loans.......	0	0	3,370	162,300	0	0
Direct Soil and Water Lns.........	127	2,267	127	2,337	155	2,934
Guaranteed Soil and Water Lns.....	11	427	34	1,378	50	2,037
Ag. Resource Conservation Demo....	1	10,000	1	6,875	1	6,881
Indian Land Acquisition Loans.....	2	988	2	1,000	2	1,178
Credit Sales of Acquired Property.	351	26,182	1,150	88,000	1,890	149,416
Subtotal FP Loans...3/..........	30,504	2,312,449	57,344	3,431,210	91,918	5,699,126
State Mediation Grants	19	2,710	50	3,000	49	3,000
Farm Outreach & Assist. Grants....	0	0	0	0	30	10,000
Subtotal Ag. Support..........	19	2,710	50	3,000	79	13,000
TOTAL FARM PROGRAMS	30,523	2,315,159	57,394	3,434,210	91,997	5,712,126

FARMERS HOME ADMINISTRATION
COMPARISON OF LOAN DELINQUENT RATE
(Dollars in Thousands)

	September 30, 1991						September 30, 1992					
	All Borrowers		Borrowers Delinquent				All Borrowers		Borrowers Delinquent			
	Number	Amount of Loans Outstanding	Number	% of Del	Amount Delinquent	% of All	Number	Amount of Loans Outstanding	Number	% of Del	Amount Delinquent	% of All
Agricultural Credit Insur. Fund												
Individual Loans:												
Insured Farm Ownership 1/	97,023	$6,056,027	17,396	18	$437,204	7	88,931	5,582,898	16,723	19	401,705	7
Guar. Farm Ownership	10,881	1,520,256	489	5	15,135	1	13,433	1,818,748	611	5	25,543	1
Insured Farm Operating	83,075	3,846,649	27,565	33	923,986	24	75,051	3,506,608	26,585	35	877,856	25
Guar. Farm Operating	28,748	2,941,181	1,299	5	34,745	1	41,536	3,059,448	2,049	5	69,776	2
Recreation	123	7,848	32	26	1,617	21	105	6,048	24	23	1,112	18
Emergency Disaster	64,167	5,296,220	21,951	34	3,241,368	61	56,267	4,526,242	19,440	35	2,763,384	61
Guar. Emergency	5	304	1	20	436	143	1	227	1	100	436	192
Economic Emergency	26,030	2,069,083	10,050	39	868,522	42	22,480	1,747,086	8,747	39	729,680	42
Guar. Eco. Emergency	516	62,171	109	21	8,468	14	404	44,112	80	20	6,592	15
Emergency Livestock	19	2,658	6	32	519	20	14	1,408	5	36	466	33
Soil and Water	10,110	189,667	2,210	22	34,799	18	9,058	167,787	2,138	24	31,044	19
Association Loans:												
Irrigation and Drainage	123	12,962	9	7	2,756	21	115	12,287	5	4	3,131	25
Grazing	193	41,128	8	4	2,725	7	180	37,202	5	3	3,063	8
Recreation	482	44,184	9	2	542	1	435	37,822	5	1	61	0
Indian Tribe Land Acq.	29	80,244	3	10	783	1	30	79,520	3	10	949	1
Misc. Agricultural Loans	5	92	--	--	--	--	5	82	--	--	--	--
Nonprogram Loans	1,968	132,064	234	12	7,275	6	3,015	210,980	447	15	35,239	17
Total, ACIF	323,497	22,302,738	81,371	25	5,580,880	25	311,060	20,838,505	76,868	25	4,950,037	24

1/ Includes non-farm enterprise loans.

FARMERS HOME ADMINISTRATION
Direct Aging Schedule of Loan Delinquencies - Sept. 30, 1992
(Dollars in Thousands)

	Total Borrowers Delinquent		1 Yr or Less Delinquent				1 to 2 Years Delinquent				2 to 3 Years Delinquent				3 to 4 Years Delinquent				Over 4 Years Delinquent			
	Number	Total Delinq. for All Years	Number	% of Del	Amount Delinq.	% of Del	Number	% of Del	Amount Delinq.	% of Del	Number	% of Del	Amount Delinq.	% of Del	Number	% of Del	Amount Delinq.	% of Del	Number	% of Del	Amount Delinq.	% of Del
Agricultural Credit Insur. Fund																						
Individual Loans:																						
Direct Farm Ownership 1/.	16,723	$401,705	5,975	36	$28,459	7	3,152	19	$35,064	9	1,357	8	$13,818	3	836	5	$19,094	5	836	5	$294,273	73
Direct Farm Operating....	26,585	877,856	6,715	25	41,287	5	6,272	24	3,515	0	3,513	13	112,839	13	1,843	7	77,536	9	8,243	31	500,788	57
Recreation..............	24	1,112	3	13	18	2	3	13	51	5	3	13	28	3	3	13	62	6	12	50	954	86
Emergency Disaster.......	1,990	2,763,384	4,651	234	35,951	1	3,525	177	67,259	2	1,779	89	63,119	2	759	38	49,398	2	8,726	439	2,547,656	92
Economic Emergency.......	8,747	729,680	2,027	23	16,055	2	1,306	15	22,374	3	612	7	20,089	3	341	4	18,894	3	4,461	51	652,265	89
Soil and Water...........	2,138	31,044	667	31	1,594	5	372	17	1,674	5	155	7	1,440	5	87	4	930	3	860	40	24,997	81
Association Loans:																						
Irrigation and Drainage..	5	3,131	0	0	0	0	0	0	0	0	1	20	$1,083	35	0	0	0	0	4	80	2,048	1
Grazing..................	5	3,063	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5	100	3,663	1.196
Recreation..............	5	61	4	80	47	77	0	0	0	0	0	0	0	0	0	0	0	0	1	20	483	8
Indian Tribe Land Acq....	3	949	1	33	11	1	0	0	0	0	1	33	456	48	1	33	14	1	0	0	0	0
Nonprogram Loans..........	447	35,239	199	45	2,227	6	78	17	0	0	57	13	2,548	7	20	5	1,479	4	93	21	27,311	78
Total, ACIF........	56,672	4,847,224	20,242	36	125,649	3	14,708	26	129,937	3	7,478	13	215,420	4	3,890	7	167,407	3	23,241	41	4,054,438	84

1/ Includes non-farm enterprise loans.

PROJECT STATEMENT
(On basis of appropriated loan levels, subsidies, and administrative expenses)
(In thousands of dollars)

Item of change	1992 Actual		1993 Appropriated		Increase or Decrease		1994 Estimated	
	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy
Farm ownership loans:								
Direct loans	$66,659	$14,146	$66,750	$13,023	$12,310 (1)	$352	$79,060	$13,375
Guaranteed loans unsubsidized	451,891	22,103	488,750	20,576	74,770 (2)	556	563,520	21,132
Guaranteed loans subsidized	500 a/	101	--	--	--	--	--	--
Farm operating loans:								
Direct loans	570,736	86,224	825,000	124,530	-28,748 (3)	-30,934	796,252	93,596
Guaranteed loans unsubsidized	956,703	11,119	1,500,000	18,150	2,050,996 (4)	490	3,550,996	18,640
Guaranteed loans subsidized	151,213 a/	12,914	238,354	15,350	187,266 (4)	34,780	425,620	50,130
Emergency disaster loans:								
Direct loans	74,883	15,171	115,000	30,762	6,232 (5)	831	121,232	31,593
Soil and water loans:								
Direct loans	2,267	184	2,337	456	597 (6)	12	2,934	468
Guaranteed loans unsubsidized	427	8	1,415	43	622 (6)	1	2,037	44
Indian tribe land acquisition direct loans	988	249	1,000	226	178 (7)	6	1,178	232
Watershed protection and flood prevention direct loans	502	--	4,000	--	108 (8)	--	4,108	--
Resource conservation and development direct loans	--	--	600	--	16 (9)	--	616	--
Credit sales of acquired property	26,182	7,808	88,000	22,405	61,416 (10)	605	149,416	23,010
Unobligated balance, expired, direct	985,633	137,522	--	--	--	--	--	--
Unobligated balance, expired, guar., unsub.	881,229	13,813	--	--	--	--	--	--
Unobligated balance, expired, guar., sub	30,427	2,335	--	--	--	--	--	--
Total:								
Direct loans and subsidies	1,727,850	261,304	1,102,687	191,402	52,109	-29,128 (11)	1,154,796	162,274
Guaranteed unsubsidized loans and subsidies	2,290,250	47,043	1,990,165	38,769	2,126,388	1,047 (12)	4,116,553	39,816
Guaranteed subsidized loans and subsidies	182,140	15,350	238,354	15,350	187,266	34,780 (12)	425,620	50,130
Total loans and subsidies	4,200,240	323,697	3,331,206	245,521	2,365,763	6,699	5,696,969	252,220
Administrative expenses		230,179		230,179		48,665 (13)		278,844
Total, Appropriation	4,200,240	553,876	3,331,206	475,700			5,696,969	531,064
1992 Supplemental: available carryover	--	--	162,300 b/	43,285 b/	-162,300	-43,285	--	--
Total, President's Budget	4,200,240	553,876	3,493,506	518,985			5,696,969	531,064

Staff-years are reflected in the Salaries and Expense Project Statement.

a/ The Agricultural Credit Act of 1987 provides authority for the Secretary to transfer such amounts as may be necessary from farm operating guaranteed loans to farm ownership guaranteed loans. The Agency transferred $500 thousand in fiscal year 1992.

b/ The Dire Emergency Supplemental Appropriations Act, 1992, P.L. 102-368, dated September 23, 1992, provided an additional direct emergency disaster loan authorization of $162,300,000 and additional loan subsidy of $43,285,000 to remain available through September 30, 1993 to cover the costs arising from the consequences of natural disasters. None of these funds were obligated in 1992.

PROJECT STATEMENT
(On basis of 1993 loan levels and subsidies supportable under 1993 Appropriation Act)
(In thousands of dollars)

Item of change	1993 Appropriated		Increase or Decrease		1993 Current Estimate	
	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy
Farm ownership loans:						
Direct loans	$66,750	$13,023	--	-$86	$66,750	$12,937
Guaranteed loans unsubsidized	488,750	20,576	-$34,534	--	454,216	20,576
Guaranteed loans subsidized	--	--	--	--	--	--
Farm operating loans:						
Direct loans	825,000	124,530	--	-13,430	825,000	111,100
Guaranteed loans unsubsidized	1,500,000	18,150	-26,894	--	1,473,106	18,150
Guaranteed loans subsidized	238,354	15,350	-3,106	--	235,248	15,350
Emergency disaster loans:						
Direct loans	115,000	30,762	--	-1,287	115,000	29,475
Soil and water loans:						
Direct loans	2,337	456	--	-27	2,337	429
Guaranteed loans unsubsidized	1,415	43	-37	--	1,378	43
Indian tribe land acquisition loans:						
Direct loans	1,000	226	--	-13	1,000	213
Watershed protection and flood prevention loans:						
Direct loans	4,000	--	--	--	4,000	--
Resource conservation and development loans:						
Direct loans	600	--	--	--	600	--
Credit sales of acquired property	88,000	22,405	--	-546	88,000	21,859
Total:						
Direct loans and subsidies	1,102,687	191,402	--	-15,389	1,102,687	176,013
Guaranteed unsubsidized loans and subsidies	1,990,165	38,769	-61,465	--	1,928,700	38,769
Guaranteed subsidized loans and subsidies	238,354	15,350	-3,106	--	235,248	15,350

Note -- Loan levels are reduced because the subsidy has increased and cannot support the appropriated loan level. Subsidy amounts are reduced because the supportable loan level does not require as much subsidy.

EXPLANATION OF PROGRAM

As required by Title XIII, section 13201, of the Omnibus Budget Reconciliation Act of 1990, this account records the subsidy costs associated with the direct loan obligations and guaranteed loan commitments of this account in FY 1992 and beyond. Subsidy amounts are obtained by estimating the difference between the Government's cash disbursements and the net present value of the Government's cash inflows resulting from direct and guaranteed loans made through this account.

The Agricultural Credit Insurance Fund and its associated loan programs are authorized by title III of the Consolidated Farm and Rural Development Act, as amended. This Fund is used to insure or guarantee farm ownership, soil and water, farm operating, emergency, Indian tribe land acquisition, watershed works of improvement and flood prevention and resource conservation and development loans.

Public Law 92-419, approved August 30, 1972, abolished the Farmers Home Administration Direct Loan Account and the Emergency Credit Revolving Fund and provided for transfer of the assets and liabilities of, and authorizations applicable to, these accounts to the Agricultural Credit Insurance Fund. It also provided for transfer from the Agricultural Credit Insurance Fund to the Rural Development Insurance Fund of the assets and liabilities of the Agricultural Credit Insurance Fund applicable to loans for water systems and waste disposal facilities.

Real Estate Loans

Subtitle A of the Consolidated Farm and Rural Development Act contains the authorizations for farm ownership loans, recreation loans, and soil and water loans to individuals, and to farm cooperatives and private domestic corporations and partnerships that are controlled by farmers and ranchers, engaged primarily and directly in farming or ranching in the United States. Soil and water and recreation loans are each contained as separate types of loans because the law sets forth eligibility requirements for these loans that differ somewhat from the eligibility requirements for farm ownership loans. In most respects, however, soil and water, recreation, and farm ownership loans are subject to similar authorizations and limitations but not purposes. Direct loan borrowers are required to graduate to other credit sources when they are able to do so.

Farm Ownership Loans.

Farm ownership loans are used for:

1. Maintaining family farms: Farm ownership loans help owner-operators restructure their debts, including those who are highly leveraged who utilize their real estate equities to refinance heavy short-term debts. In other instances, the owner-operators use real estate credit and assistance to make further adjustments in their operations, to comply with local sanitation and pollution abatement requirements, to keep up with advances in agricultural technology, to better utilize their land and labor resources and to meet changing market requirements. Farm ownership loans may be used to finance income producing recreational enterprises or other nonfarm enterprises which supplement but do not supplant farm income.

2. Purchase and development of farms: One of the functions of the farm ownership loan program is to assist farmers, especially beginning farmers, in the purchase and enlargement of farms. Applicants eligible for these loans may use this assistance for combining small tracks of land, making basic soil improvements, establishing permanent pastures, improving dwellings and essential farm buildings, developing land and water, controlling pollution, producing or saving energy, adding a nonfarm enterprise and taking other measures to increase the efficiency and income-producing capacity of their holdings.

Farm ownership loans are made to eligible individuals, cooperatives, corporations, partnerships or joint operators who (1) have sufficient training or farm experience to assure reasonable prospects of success in the proposed operation, (2) are or will become owner-operators of not larger than family-size farms, and (3) are unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near where the applicant resides for loans for similar purposes and periods of time.

Loans are made for 40 years or less. A direct loan may not exceed $200,000 and a guaranteed loan may not exceed $300,000. The interest rate for direct loans is determined by the Secretary of Agriculture and does not exceed the cost-of-money to the Government, plus up to one percent additional. However, loans to limited resource borrowers bear interest of not more than one-half of the Treasury rate for marketable obligations with maturities of five years plus not more than one percentage point, with a minimum floor of five percent. The interest rate for guaranteed loans is negotiated by the lender and the borrower and may be subsidized under the interest assistance program. In addition, the interest rate assistance program may also be sufficient to allow moderate-income borrowers to move from the direct loan program to the guaranteed loan program.

Soil and Water Loans. Soil and water loans are made to individuals, cooperatives, corporations, partnerships or joint operators who own and/or operate a farm. Applicants must be unable to obtain sufficient credit elsewhere to finance actual needs at reasonable rates and terms prevailing in the community where the farm is located. The loans may be made for soil conservation, development and use; forestation; drainage of farmland; establishment of permanent pasture; pollution control and energy saving measures. The loan limit is $50,000 for a direct loan and $50,000 for a guaranteed loan. The repayment period may be up to 40 years. The interest rate for direct loans is determined by the Secretary of Agriculture and does not exceed the cost-of-money to the Government, plus up to one percent additional. Guaranteed loans bear an interest rate negotiated by the lender and the borrower.

Operating Loans

Subtitle B of the Consolidated Farm and Rural Development Act contains the authorization for direct and guaranteed operating loans. Operating loans made by the Farm Service Agency are accompanied by supervisory assistance in farm and financial management. Operating credit is targeted to family farmers throughout the United States, who are unable to obtain credit from private and cooperative sources, to develop or maintain a reasonable standard of living. The use of operating loan funds for this purpose helps provide opportunity for farm operators to conduct successful farm operations.

Loans are made to assist (1) full-time and part-time operators to continue in agriculture and to improve their farm and home operations, (2) part-time farm operators to convert their farming operations to full-time and to improve their income and level of living while continuing to live in rural areas, (3) young farmers who lack the necessary credit to acquire the resources needed for success, and (4) rural youths.

Operating loans are made to individuals, partnerships, corporations, cooperatives or joint operators who operate not larger than family-size farms or ranches, who (1) have sufficient training or farm experience to assure reasonable prospects of success in the proposed operation, (2) are or will become operators of not larger than family farms, except for rural youths, and (3) are unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the

community in or near where the applicant resides, for loans for similar purposes and periods of time.

Operating loans may be made for paying costs incident to reorganizing a farming system for more profitable operations; purchasing livestock, poultry and farm equipment; purchasing feed, seed, fertilizer, insecticides, and farm supplies and meeting other essential operating expenses; financing land and water development, use, and conservation; developing recreation and other nonfarm enterprises; and refinancing existing indebtedness.

The loan limit is $200,000 for a direct loan and $400,000 for a guaranteed loan. Operating loans may be scheduled for payment over periods from 1 to 7 years depending on loan purposes. The interest rate for direct loans is determined by the Secretary of Agriculture and does not exceed the cost-of-money to the Government, plus up to one percent additional. However, loans to limited resource borrowers bear interest of not more than one-half of the Treasury rate for marketable obligations plus not more than one percentage point, with a minimum floor of five percent. The interest rate for guaranteed loans is negotiated by the lender and the borrower and may be subsidized under the interest assistance program. In addition, the interest assistance program may also be sufficient to allow moderate-income borrowers to move from the direct loan program to the guaranteed loan program.

Direct loan borrowers are encouraged to supplement their operating loans with credit from other sources when this is feasible. They are required to graduate to other credit sources when able to do so.

Emergency Disaster Loans

Emergency loans are made available in designated areas (counties) and in contiguous counties where property damage and/or severe production losses have occurred as a direct result of a natural disaster. Areas may be declared by the President or designated for emergency loan assistance by the Secretary of Agriculture.

Emergency loans are made to established, eligible, family size farmers, ranchers and aquaculture operators. Partnerships and private domestic corporations and cooperatives may also qualify, providing they are primarily engaged in agricultural or aquacultural production. Loans may be made only for actual losses arising from natural disasters. A farmer who cannot receive credit elsewhere is eligible for an actual loss loan of up to $500,000 or the calculated actual loss, whichever is less, for each disaster at an interest rate of four and one-half percent. P.L. 102-229 Supplemental Appropriations Bill for FY 1992 waived the requirement that applicants for emergency loans must have crop insurance for 1992 and 1993 crops.

Actual loss loans may be made for physical losses to repair, restore or replace damaged or destroyed farm property, livestock and livestock products, and supplies, and for production losses to compensate for loss of income based on reduced production of crops and/or livestock products resulting from the disaster. Eligible farmers may use actual loss loan funds to purchase livestock, poultry, or other animals and pay costs incident to reorganizing a farming system to make it a sound operation. The reorganized farming operation, however, must be approximately equivalent in earning capacity to the operation conducted prior to the disaster. Under certain conditions, loan funds may be used to buy essential home equipment and furnishings and for limited refinancing of debts.

Repayment terms for actual loss loans vary according to the purposes of the loan, type of collateral available to secure the loan, and the projected repayment ability of the borrower. Loans for actual production or physical losses to crops, livestock, supplies and equipment may be scheduled for repayment for up to 7 years. Under some conditions a longer repayment period may be authorized for production loss loans, but not to exceed 20 years. Generally, real estate will be needed as security when a loan term of more than 7 years is authorized. Loss loans for

actual losses to real estate will generally be scheduled for repayment within 30 years but under some conditions may be scheduled for up to 40 years.

Indian Tribe Land Acquisition Loans

Public Law 91-229, approved April 11, 1970, authorized loans to any Indian tribe recognized by the Secretary of the Interior or tribal corporation established pursuant to the Indian Reorganization Act, which does not have adequate uncommitted funds, to acquire lands or interest in lands within the tribe's reservation or Alaskan Indian community, as determined by the Secretary of the Interior, for use of the tribe or the corporation or the members thereof. Loans are made for 40 years or less. The interest rate for these loans is determined by the Secretary of Agriculture. It does not exceed the cost-of-money to the Government, plus up to one percent additional, except, those tribes that are unable to pay the higher rate may be charged a lower interest rate.

Watershed Works of Improvement and Flood Prevention Loans

Loans are made to local organizations for financing the local share of the cost of installing, repairing or improving works of improvement and water storage facilities, purchasing sites or rights-of-way and for related costs in approved watershed works of improvement and flood prevention projects. FSA has been assigned responsibility for making these loans to sponsors of such projects approved for operation by the Soil Conservation Service. No loan may be made until the Soil Conservation Service and the local organization have agreed on a plan for works of improvement. Public Law 92-419, approved August 30, 1972, provided for making such loans on a direct basis under the Agricultural Credit Insurance Fund.

These loans are repayable in not more than 50 years at an interest rate based on the average rate paid by the U.S. Treasury on obligations of similar maturity. For any single plan for works of improvement, the amount of the loan may not exceed $10 million.

Resource Conservation and Development Loans

Loans are made to local sponsoring organizations when needed for financing the local share of the cost of installing, repairing or improving works of improvement, purchasing sites or rights-of-way and for related costs in approved resource conservation and development projects. The Farm Service Agency has been assigned responsibility for making these loans to sponsors of resource conservation and development projects approved for operation by the Soil Conservation Service. No loan may be made until the Soil Conservation Service and the local organization have agreed on a plan for development work. Public Law 92-419, approved August 30, 1972, provided for making such loans on a direct basis under the Agricultural Credit Insurance Fund.

These loans are repayable in not more that 30 years. Loans bear interest at a rate based on the average rate paid by the U.S. Treasury on obligations of similar maturity.

BORROWER'S FINANCIAL OPPORTUNITIES

A specific set of borrower's rights has been set forth by Congress. These borrower rights provide a number of opportunities for borrowers in serious financial difficulty to have the debt written down in order to retain the farming business. These opportunities include traditional rescheduling, reamortization and deferrals. The Agricultural Credit Act of 1987 also adds debt write down and buyout at net recovery value, and revises the provisions for leaseback/buyback and homestead

protection which were included in the Food Security Act of 1985. Descriptions of these financial opportunities follow:

(1) Rescheduling and/or Reamortization

Operating type loans can be rescheduled for up to 15 years with no limit on the number of times a loan can be rescheduled. Reamortization is for long term loans with reamortization of payments for up to 40 years from the date of the original loan. In addition, these loans can have interest rates reduced to limited resource rates which are, currently, one percent below regular rates for operating loans and 2.75 percent below the regular rate for long term loans.

(2) Deferral

Deferrals can be for up to five years with renewals possible. Interest accrues on deferred debt, so it is not a very viable choice for a borrower unless a substantial amount of other lender debt can be paid off or income increased during the deferral period. Farm plans must show that payment on the deferred debt can be resumed at the end of the deferral period.

(3) Debt Write Down

Debt write down is the major loan restructuring provision of the Agricultural Credit Act of 1987. The Act requires a determination be made that the present value of the restructured debt after the debt is written down is greater or equal to the net recovery value that would be obtained through foreclosure or involuntary liquidation, inventory costs and resale expenses. Net recovery value is the market value less all costs of an involuntary liquidation. If the farm operation will cash flow at or above a level that will pay all essential family living and farm operating expenses and installments on debts, then the debt will be restructured, thereby keeping the farmer on the farm.

(4) Buy Out at Net Recovery Value

If all combinations for rescheduling, reamortization, deferral and write down do not provide a restructuring program that will keep the borrower paying the restructured debt, the borrower then has the opportunity to pay off the debt at net recovery value. This can be a heavily discounted payoff. The payoff must be in full to FSA with no credit being provided by the Agency. There is a high probability that many borrowers whose loans cannot be restructured will be able to buy out their loans and remain on the farm, with a good opportunity to continue the farm business.

(5) Leaseback/Buyback

Leaseback/buyback permits former owners-operators the opportunity to lease, with an option to purchase, real estate which secured the farm program loan(s). Eligible real estate includes any off the farm principal residence(s) of the operator(s). If eligible, such sales may be made with FSA providing the credit.

(6) Homestead Protection

The program permits former owner-operators the opportunity to lease, with an option to purchase, their former principal residence, and up to ten acres of land. The homestead is leased to the borrower at a rental rate comparable to rental rates for the area. The lease is for up to five years and also carries an option to purchase. FSA will provide the credit.

The adequate servicing and supervision of delinquent farmer program loans to assist borrowers to overcome financial and management difficulties and to protect the

Government's interest is, and continues to be, a prime concern of the Farm Service Agency. The Agency makes every effort possible to assist financially stressed farm borrowers to overcome their difficulties. Borrowers and the agricultural community can be assured that the Agency will continue to work with borrowers on a fair but firm basis by using all available authorities to assist them to remain in farming when their farming operations are feasible.

The Food, Agriculture, Conservation and Trade Act of 1990 closed some of the loopholes in the Agricultural Credit Act of 1987. It limited the writedown or writeoff of debt to a lifetime limit of $300,000 and only allows one writedown or buyout of debt. Previous writedowns and buyouts are not included in these new limitations. It requires FSA to notify a borrower of its debt settlement program and takes into consideration the value of any nonessential unencumbered assets that the borrower may have an ownership interest in when the borrower requests primary loan services or buyout of the FSA loans. It also requires a borrower to have acted in good faith. Borrowers may also request a negotiation of the appraisal of assets if he or she disagrees with the FSA appraisal.

Listed below are data regarding farmers in financial difficulty and the servicing actions taken by FSA to help them.

	FY 1990	FY 1991	FY 1992
Number of farm borrowers	299,006	280,528	251,892
Number of farmers delinquent	80,289 (27%)	79,204 (28%)	73,657 (29%)
Number delinquent 3 years or more	57,185	39,230	31,699
Deferrals	3,226	2,218	1,665
Rescheduled, consolidated, reamortized	14,782	8,258	8,008
Subordinations	22,124	16,281	11,375
Acceleration letters	5,462	3,133	3,005
Foreclosures:			
FSA	243	217	261
Non-FSA	179	193	140
Bankruptcies	334	286	243
Liquidations:			
Voluntary conveyances	710	521	324
Sales other than foreclosure	753	764	602
Transfers and assumptions	286	200	119
Total Discontinued Farming a/	2,505	2,181	1,689
Farm Inventory Properties:			
Number of farm properties	3,411	3,109	2,995
Acres	1,143,738	998,187	949,922
Present market value ($000)	$455,853	$404,525	$381,586

a/ Does not include borrowers who have left farming where liquidation proceedings have not been completed or in some cases even initiated.

JUSTIFICATION OF INCREASES AND DECREASES

The FY 1994 Budget continues the initiative of shifting direct loan programs to guaranteed loan programs. The focus on guaranteed lending will facilitate graduations of loans from FSA to private lenders while borrowers gain valuable, lasting relationships with their local lending institutions. In addition, the transfer of most loan making responsibilities to private lenders will enable FSA to concentrate on providing supervised credit assistance to needy borrowers, insure an effective guarantee/graduation process and allow for improved servicing of the existing portfolio. The direct loan programs will be sufficient to provide all the direct loan financing required and are targeted to the most financially needy borrowers. However, direct loan borrowers must demonstrate an inability to afford loans assisted by guarantees.

The following adjustments result in a net increase of $2,365,763,000 in loan programs and an increase of $48,665,000 in administrative expenses.

(1) An increase of $12,310,000 for direct farm ownership loans ($66,750,000 available in FY 1993).

Need for Change. New real estate lending will be kept to a modest increase to account for inflation and changes in economic assumptions. Lending will be targeted to the most financially needy applicants. Applicants must demonstrate the inability to afford loans assisted by guarantees and guarantees accompanied by interest assistance. FSA has established annual target participation rates on a county-wide basis to ensure that members of socially disadvantaged groups will receive real estate loans and have the opportunity to purchase or lease inventory farmland. Real estate credit for existing FSA borrowers will continue to be available through reamortization and rescheduling of loans secured by real estate.

Nature of Change. This program will be maintained at a level to enable the most financially needy applicants and members of socially disadvantaged groups to take advantage of the Agency's long term farm ownership loan program.

(2) An increase of $74,770,000 for guaranteed farm ownership loans ($488,750,000 available in FY 1993).

Need for Change. The program will be held to a modest increase to account for inflation and changes in economic assumptions. It will facilitate graduation of FSA borrowers to private sector credit sources.

Nature of Change. The program level will provide 3,440 unsubsidized guaranteed loans in FY 1994.

(3) A decrease of $28,748,000 for direct farm operating loans ($825,000,000 available in FY 1993.

Need for Change. The Agency will make maximum use of the guaranteed operating loan program, in lieu of the direct loan program, to facilitate participation of the private agricultural credit sector. In FY 1994, a portion of direct farm operating loans has been shifted from direct operating loans to the subsidized guaranteed operating loan program.

Nature of Change. The program level will provide 17,220 direct loans in FY 1994.

(4) An increase of $2,238,262,000 for guaranteed farm operating loans ($1,738,354,000 available in FY 1993).

Need for Change. This large increase is mostly the result of a slight change in Treasury interest rates. Because the subsidy rate is very close to zero any change, plus or minus, produces a significant change in loans supportable. The Agency will make maximum use of the guaranteed operating loan program in lieu of the direct loan program, to facilitate participation of the private agricultural credit sector. The Agency has coordinated and worked with the Farm Credit Administration and private lenders to increase participation in the guaranteed loan area. The shift toward guaranteed lending will facilitate graduation of FSA borrowers to private sector credit sources and focus FSA staff resources on servicing requirements of its delinquent borrowers. In FY 1994, a portion of direct farm operating loans has been shifted from direct operating loans to the subsidized guaranteed operating loan program.

Nature of Change. The program level will provide 65,900 guaranteed loans in FY 1994.

(5) An increase of $6,232,000 for emergency disaster loans ($115,000,000 available in FY 1993).

Need for Change. In FY 1994 the funding level of $121 million, which is $6 million above the 1993 appropriated level, will fund emergency actual loss loans and should be sufficient to meet the anticipated demand.

Nature of Change. The program level will provide 2,450 loans in FY 1994.

(6) An increase of $597,000 for direct and $622,000 for guaranteed soil and water loans ($3,752,000 available in FY 1993).

Need for Change. Maintains the direct and guaranteed soil and water loan programs in FY 1994 at essentially the same level as in FY 1993.

Nature of Change. The program levels will provide 205 loans in FY 1994.

(7) An increase of $178,000 for direct Indian tribe land acquisition loans ($1,000,000 available in FY 1993).

Need for Change. These loans are limited to the acquisition of land within the defined boundaries of a tribe's reservation. Most of the available land has been acquired by the loans now outstanding.

Nature of Change. The level of $1,178,000 reflects the anticipated level of loans which may be required.

(8) An increase of $108,000 for direct watershed protection and flood prevention loans ($4,000,000 available in FY 1993).

Need for Change. There has been limited demand for this program in recent years. No loans were obligated in FY 1991, and only two loans were obligated in FY 1992.

Nature of Change. The level of $4,108,000 reflects the anticipated level of loans which may be required.

(9) An increase of $16,000 for direct resource conservation and development loans ($600,000 available in FY 1993).

Need for Change. There has been limited demand for this program in recent years. No loans were obligated in FY 1991 or FY 1992.

Nature of Change. The level of $616,000 reflects the anticipated level of loans which may be required.

(10) An increase of $61,416,000 for credit sales of acquired property ($88,000 estimated in FY 1993).

Need for Change. New and beginning farmers will be assisted by this program. The level requested represents the anticipated amount of direct loans made by credit sales from acquired properties in inventory.

Nature of Change. This level reflects the anticipated level of credit sales of acquired property which may be required.

(11) A decrease of $29,128,000 for the direct loan subsidy.

Need for Change. This estimated subsidy amount is necessary to support the direct loan obligations associated with the supportable FY 1994 loan levels.

(12) An increase of $35,827,000 for the guaranteed loan subsidy.

Need for Change. This estimated subsidy amount is necessary to support the guaranteed loan commitments associated with the supportable FY 1994 loan levels.

(13) An increase of $48,665,000 for administrative expenses ($230,179,000 available in FY 1993.

Need for Change. Justification for administrative expenses in the amount of $264,432,000 and related staff-years is reflected in the Salaries and Expenses Project Statement. A balance of $14,412,000 will be retained by the program account for obligation of program-related non recoverable costs such as appraisals and inspections.

FARM SERVICE AGENCY
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 Actual and Estimated 1993 and 1994

Agricultural Credit Insurance Fund
Insured Farm Ownership Loan Program

	1992 Amount	1993 Amount	1994 Amount
Alabama............	883,000	910,000	1,073,800
Alaska.............	--	150,000	177,000
Arizona............	278,000	445,000	525,100
Arkansas...........	1,741,710	1,363,000	1,608,340
California.........	2,846,280	2,844,000	3,355,920
Colorado...........	1,200,530	984,000	1,161,120
Connecticut........	180,000	236,000	278,480
Delaware...........	185,300	239,000	282,020
Florida............	798,860	1,004,000	1,184,720
Georgia............	1,204,050	1,066,000	1,257,880
Hawaii.............	285,000	360,000	424,800
Idaho..............	929,800	852,000	1,005,360
Illinois...........	4,044,000	3,725,000	4,395,500
Indiana............	2,014,450	2,225,000	2,625,500
Iowa...............	6,044,510	4,555,000	5,374,900
Kansas.............	2,578,000	2,392,000	2,822,560
Kentucky...........	1,864,190	1,952,000	2,303,360
Louisiana..........	672,000	881,000	1,039,580
Maine..............	608,700	294,000	346,920
Maryland...........	577,170	527,000	621,860
Massachusetts......	165,000	284,000	335,120
Michigan...........	1,343,170	1,284,000	1,515,120
Minnesota..........	3,815,840	2,909,000	3,432,620
Mississippi........	960,920	916,000	1,080,880
Missouri...........	1,753,610	2,697,000	3,182,460
Montana............	359,000	1,094,000	1,290,920
Nebraska...........	2,636,490	2,686,000	3,169,480
Nevada.............	200,000	232,000	273,760
New Hampshire......	112,000	273,000	322,140
New Jersey.........	256,600	385,000	454,300
New Mexico.........	234,300	519,000	612,420
New York...........	1,646,900	1,104,000	1,302,720
North Carolina.....	1,299,270	1,466,000	1,729,880
North Dakota.......	2,151,930	1,652,000	1,949,360
Ohio...............	990,350	2,252,000	2,657,360
Oklahoma...........	2,909,340	1,726,000	2,036,680
Oregon.............	911,500	816,000	962,880
Pennsylvania.......	2,047,000	1,521,000	1,794,780
Rhode Island.......	71,205	159,000	187,620
South Carolina.....	646,600	603,000	711,540
South Dakota.......	1,749,500	1,535,000	1,811,300
Tennessee..........	649,160	1,587,000	1,872,660
Texas..............	4,226,460	4,499,000	5,325,820
Utah...............	710,500	488,000	575,840
Vermont............	414,190	381,000	449,580
Virginia...........	1,151,890	1,123,000	1,325,140
Washington.........	975,000	1,006,000	1,187,080
West Virginia......	708,000	625,000	737,500
Wisconsin..........	1,398,770	2,413,000	3,125,340
Wyoming............	314,500	511,000	602,980
Puerto Rico........	834,100	700,000	826,000
Trust Territories..	--	150,000	177,000
Virgin Islands.....	80,000	150,000	177,000
Total, Avail./Est..	66,658,645	66,750,000	79,060,000

FARM SERVICE AGENCY
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 Actual and Estimated 1993 and 1994

Agricultural Credit Insurance Fund
Guaranteed Farm Ownership Loan Program

	1992 Amount	1993 Amount	1994 Amount
Alabama............	6,725,770	6,015,000	6,917,250
Alaska.............	--	300,000	345,500
Arizona............	158,390	2,941,000	3,382,150
Arkansas...........	15,224,320	9,015,000	10,367,250
California.........	6,137,180	18,810,000	21,631,500
Colorado...........	12,551,560	6,507,000	7,483,050
Connecticut........	518,033	1,562,000	1,796,300
Delaware...........	1,728,450	1,584,000	1,821,600
Florida............	3,437,660	50,140,000	57,661,000
Georgia............	15,014,940	7,050,000	8,107,500
Hawaii.............	--	2,383,000	2,740,450
Idaho..............	3,342,400	5,637,000	6,482,550
Illinois...........	14,632,880	24,634,000	28,329,100
Indiana............	10,059,360	14,717,000	16,924,550
Iowa...............	27,518,960	30,123,000	34,641,450
Kansas.............	16,530,140	15,817,000	18,189,550
Kentucky...........	10,500,170	12,909,000	14,845,350
Louisiana..........	13,075,120	14,329,000	16,478,350
Maine..............	906,130	1,947,000	2,239,050
Maryland...........	2,850,900	3,483,000	4,005,450
Massachusetts......	1,899,000	1,881,000	2,163,150
Michigan...........	12,375,770	8,491,000	9,764,650
Minnesota..........	19,051,290	19,237,000	22,122,550
Mississippi........	29,524,650	6,056,000	6,964,400
Missouri...........	15,114,690	17,834,000	20,509,100
Montana............	6,734,120	7,235,000	8,320,250
Nebraska...........	16,442,600	17,763,000	20,427,450
Nevada.............	1,120,640	1,533,000	1,863,450
New Hampshire......	490,000	1,804,000	2,074,600
New Jersey.........	275,800	2,549,000	2,931,350
New Mexico.........	4,393,300	3,434,000	3,949,100
New York...........	7,987,250	7,303,000	8,398,450
North Carolina.....	18,673,840	9,696,000	11,150,400
North Dakota.......	13,011,060	10,928,000	12,567,200
Ohio...............	9,087,810	14,891,000	17,124,650
Oklahoma...........	18,243,590	11,418,000	13,130,700
Oregon.............	2,849,500	5,399,000	6,208,850
Pennsylvania.......	13,530,770	10,059,000	11,567,850
Rhode Island.......	229,300	1,054,000	1,567,600
South Carolina.....	4,727,840	3,988,000	4,586,200
South Dakota.......	11,306,590	10,149,000	11,671,350
Tennessee..........	7,247,350	10,494,000	12,068,100
Texas..............	13,595,850	29,738,000	34,698,700
Utah...............	3,796,040	3,230,000	3,714,500
Vermont............	6,867,930	2,521,000	2,899,150
Virginia...........	1,881,650	7,429,000	8,543,350
Washington.........	5,373,590	6,655,000	7,653,250
West Virginia......	4,040,310	4,134,000	4,754,100
Wisconsin..........	38,293,120	15,961,000	18,855,150
Wyoming............	1,986,250	3,383,000	3,890,450
Puerto Rico........	1,327,561	2,000,000	2,300,000
Trust Territories..	--	300,000	345,500
Virgin Islands.....	--	300,000	345,500
Total, Avail./Est..	452,391,424	488,750,000	563,520,000

FARM SERVICES AGENCY
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 and Estimated 1993 and 1994

Agricultural Credit Insurance Fund
Insured Farm Operating Loan Program

	1992 Amount	1993 Amount	1994 Amount
Alabama	8,838,680	12,446,000	12,072,620
Alaska	--	200,000	194,000
Arizona	1,604,970	3,181,000	3,085,570
Arkansas	21,392,840	24,229,000	23,502,130
California	15,536,840	26,823,000	26,018,310
Colorado	7,116,210	9,979,000	9,679,630
Connecticut	410,150	1,524,000	1,478,280
Delaware	522,650	1,769,000	1,715,930
Florida	3,234,910	7,553,000	7,326,410
Georgia	9,012,130	15,478,000	15,013,660
Hawaii	685,870	2,562,000	2,485,140
Idaho	12,278,880	13,672,000	13,261,840
Illinois	15,869,110	29,844,000	28,948,680
Indiana	14,454,240	23,443,000	22,739,710
Iowa	28,472,330	44,080,000	43,757,300
Kansas	14,757,950	27,507,000	26,681,790
Kentucky	9,160,610	18,516,000	17,960,520
Louisiana	21,736,230	31,098,000	30,165,060
Maine	4,858,170	5,371,000	5,209,870
Maryland	1,197,560	3,093,000	3,000,210
Massachusetts	1,486,470	3,183,000	3,087,510
Michigan	13,347,120	18,982,000	18,412,540
Minnesota	29,259,970	40,730,000	38,061,100
Mississippi	29,601,300	37,606,000	36,477,820
Missouri	8,229,920	18,850,000	18,284,500
Montana	4,832,500	9,937,000	9,638,890
Nebraska	15,557,920	29,386,000	28,504,420
Nevada	1,821,270	2,069,000	2,006,930
New Hampshire	740,480	2,095,000	2,032,150
New Jersey	3,340,320	2,900,000	2,813,000
New Mexico	6,052,970	6,388,000	6,196,360
New York	11,816,700	18,530,000	17,974,100
North Carolina	11,301,250	17,544,000	17,017,680
North Dakota	24,660,590	31,152,000	29,217,440
Ohio	6,245,230	20,740,000	20,117,800
Oklahoma	20,427,590	27,390,000	26,568,300
Oregon	5,447,710	9,736,000	9,443,920
Pennsylvania	25,236,830	20,515,000	19,899,550
Rhode Island	14,209	1,187,000	1,151,390
South Carolina	8,673,350	11,627,000	11,278,190
South Dakota	9,004,230	13,861,000	13,445,170
Tennessee	10,226,290	23,543,000	22,836,710
Texas	92,894,320	89,227,000	83,999,490
Utah	6,411,800	6,015,000	5,834,550
Vermont	2,748,360	3,430,000	3,327,100
Virginia	4,811,100	11,670,000	11,319,900
Washington	9,267,010	13,076,000	12,683,720
West Virginia	2,566,850	5,093,000	4,940,210
Wisconsin	9,304,050	18,160,000	17,615,200
Wyoming	2,358,870	4,110,000	3,986,700
Puerto Rico	1,902,150	3,500,000	3,395,000
Trust Territories	--	200,000	194,000
Virgin Islands	7,500	200,000	194,000
Total, Avail./Est.	570,736,559	825,000,000	796,252,000

FARM SERVICE AGENCY
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 Actual and Estimated 1993 and 1994

Agricultural Credit Insurance Fund
Guaranteed Farm Operating Loan Program

	1992 Amount	1993 Amount	1994 Amount
Alabama............	8,565,440	22,944,000	52,771,200
Alaska.............	--	800,000	1,840,000
Arizona............	1,497,870	9,294,000	21,376,200
Arkansas...........	29,338,250	32,646,000	75,085,800
California.........	26,313,570	64,663,000	148,724,900
Colorado...........	24,839,630	24,210,000	55,683,000
Connecticut........	715,200	5,639,000	12,969,700
Delaware...........	389,650	5,826,000	13,399,800
Florida............	5,118,540	106,674,000	245,350,200
Georgia............	34,425,590	27,187,000	62,530,100
Hawaii.............	--	8,062,000	18,542,600
Idaho..............	24,897,490	21,004,000	48,309,200
Illinois...........	52,679,670	85,153,000	195,851,900
Indiana............	34,762,770	54,240,000	124,752,000
Iowa...............	86,228,920	107,221,000	235,102,200
Kansas.............	43,966,760	57,399,000	132,017,700
Kentucky...........	15,656,040	48,072,000	110,565,600
Louisiana..........	67,366,360	73,515,000	169,084,500
Maine..............	2,861,330	7,530,000	17,319,000
Maryland...........	1,926,499	12,949,000	29,782,700
Massachusetts......	1,181,000	6,885,000	15,835,500
Michigan...........	27,269,540	33,411,000	76,845,300
Minnesota..........	58,058,750	72,804,000	167,449,200
Mississippi........	51,851,690	22,857,000	52,571,100
Missouri...........	34,109,340	67,322,000	154,840,600
Montana............	9,216,220	26,397,000	60,713,100
Nebraska...........	48,117,990	63,116,000	145,166,800
Nevada.............	1,958,230	5,523,000	12,702,900
New Hampshire......	68,000	6,791,000	15,619,300
New Jersey.........	953,420	8,726,000	20,069,800
New Mexico.........	7,203,620	11,486,000	26,417,800
New York...........	10,765,180	28,686,000	65,977,800
North Carolina.....	15,220,750	36,046,000	82,905,800
North Dakota.......	22,637,970	39,967,000	91,924,100
Ohio...............	16,627,580	55,825,000	128,397,500
Oklahoma...........	36,175,720	42,988,000	98,872,400
Oregon.............	11,520,150	21,046,000	48,405,800
Pennsylvania.......	12,440,140	38,224,000	87,915,200
Rhode Island.......	150,000	3,873,000	8,907,900
South Carolina.....	11,612,080	15,179,000	34,911,700
South Dakota.......	34,106,630	37,077,000	85,277,100
Tennessee..........	22,563,330	40,373,000	92,857,900
Texas..............	126,668,480	108,015,000	236,934,400
Utah...............	3,674,450	11,947,000	27,478,100
Vermont............	5,801,570	9,566,000	22,001,800
Virginia...........	3,103,550	28,229,000	64,926,700
Washington.........	20,561,280	24,764,000	56,957,200
West Virginia......	3,898,610	15,639,000	35,969,700
Wisconsin..........	40,089,480	63,117,000	145,169,100
Wyoming............	8,411,260	12,547,000	28,858,100
Puerto Rico........	350,000	3,300,000	7,590,000
Trust Territories..	--	800,000	2,544,000
Virgin Islands.....	--	800,000	2,544,000
Total, Avail./Est..	1,107,915,589	1,738,354,000	3,976,616,000

FARM SERVICE AGENCY
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 Actual and Estimated 1993 and 1994

Agricultural Credit Insurance Fund
Emergency Loan Program

	1992 Amount	1993 Amount	1994 Amount
Alabama	$1,248,220	--	--
Alaska	--	--	--
Arizona	--	--	--
Arkansas	1,831,920	--	--
California	3,166,970	--	--
Colorado	94,300	--	--
Connecticut	385,960	--	--
Delaware	--	--	--
Florida	1,322,060	--	--
Georgia	3,869,080	--	--
Hawaii	--	--	--
Idaho	38,500	--	--
Illinois	16,808,260	--	--
Indiana	3,899,330	--	--
Iowa	781,200	--	--
Kansas	1,372,200	--	--
Kentucky	1,436,010	--	--
Louisiana	3,377,810	--	--
Maine	764,160	--	--
Maryland	778,220	--	--
Massachusetts	1,009,960	--	--
Michigan	5,306,620	--	--
Minnesota	1,426,850	--	--
Mississippi	1,183,450	--	--
Missouri	1,630,300	--	--
Montana	212,320	--	--
Nebraska	191,150	--	--
Nevada	576,350	--	--
New Hampshire	150,000	--	--
New Jersey	140,740	--	--
New Mexico	276,480	--	--
New York	1,729,200	--	--
North Carolina	302,720	--	--
North Dakota	170,690	--	--
Ohio	866,780	--	--
Oklahoma	1,248,710	--	--
Oregon	514,110	--	--
Pennsylvania	3,734,720	--	--
Rhode Island	339,100	--	--
South Carolina	51,460	--	--
South Dakota	764,570	--	--
Tennessee	311,420	--	--
Texas	7,836,740	--	--
Utah	637,040	--	--
Vermont	--	--	--
Virginia	1,413,420	--	--
Washington	636,030	--	--
West Virginia	837,770	--	--
Wisconsin	92,946	--	--
Wyoming	--	--	--
Puerto Rico	117,200	--	--
Trust Territories	--	--	--
Virgin Islands	--	--	--
Total, Avail./Est.	74,883,046	277,300,000 a/b/	121,232,000 a/

a/ Cannot be distributed by geographic area in advance.
b/ Includes $162,300,000 authorized by the Dire Emergency Supplemental Appropriation Act, P.L. 102-368, dated September 23, 1992, to provide assistance to distressed communities as a result of natural disasters.

FARM SERVICE AGENCY
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 Actual and Estimated 1993 and 1994

Agricultural Credit Insurance Fund
Credit Sales of Inventory Property

	1992 Amount	1993 Amount	1994 Amount
Alabama	60,000	289,000	491,300
Alaska	--	14,000	23,800
Arizona	824,240	2,740,000	4,658,000
Arkansas	1,084,334	1,447,000	2,459,900
California	1,849,430	5,061,000	8,603,700
Colorado	1,238,040	4,703,000	7,995,100
Connecticut	0	31,000	52,700
Delaware	0	13,000	22,100
Florida	481,200	2,791,000	4,744,700
Georgia	791,360	2,650,000	4,505,000
Hawaii	0	41,000	69,700
Idaho	595,360	1,867,000	3,173,900
Illinois	105,400	687,000	1,167,900
Indiana	94,650	575,000	977,500
Iowa	3,329,310	3,112,000	5,290,400
Kansas	248,000	510,000	867,000
Kentucky	540,130	325,000	552,500
Louisiana	450,570	2,015,000	3,425,500
Maine	231,340	166,000	282,200
Maryland	0	364,000	618,800
Massachusetts	0	137,000	232,900
Michigan	487,030	2,650,000	4,505,000
Minnesota	635,670	4,857,000	8,256,900
Mississippi	2,018,870	7,620,000	12,954,000
Missouri	1,292,280	5,041,000	8,569,700
Montana	120,000	1,106,000	1,880,200
Nebraska	432,700	2,458,000	4,178,600
Nevada	185,250	101,000	171,700
New Hampshire	0	0	0
New Jersey	0	166,000	282,200
New Mexico	660,680	2,202,000	3,743,400
New York	678,290	2,260,000	3,842,000
North Carolina	459,630	2,329,000	3,959,300
North Dakota	906,600	3,792,000	6,446,400
Ohio	0	231,000	392,700
Oklahoma	596,550	3,514,000	5,973,800
Oregon	304,750	1,216,000	2,067,200
Pennsylvania	0	379,000	644,300
Rhode Island	0	0	0
South Carolina	928,300	1,451,000	2,466,700
South Dakota	616,310	3,086,000	5,062,200
Tennessee	671,210	1,437,000	2,442,900
Texas	107,500	2,229,000	3,789,300
Utah	157,340	321,000	545,700
Vermont	28,000	262,000	445,400
Virginia	390,990	498,000	846,600
Washington	1,400,880	4,558,000	7,748,600
West Virginia	60,980	289,000	491,300
Wisconsin	190,290	2,080,000	3,536,000
Wyoming	100,335	1,207,000	2,051,900
Puerto Rico	828,100	1,122,000	1,907,400
Total, Avail./Est.	26,181,899	88,000,000	149,416,000

FARM SERVICE AGENCY
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 Actual and Estimated 1993 and 1994

Agricultural Credit Insurance Fund
Insured Soil and Water Loan Program

	1992 Amount	1993 Amount	1994 Amount
Alabama	5,500	--	--
Arizona	--	--	--
Arkansas	120,120	--	--
California	364,980	--	--
Colorado	40,100	--	--
Connecticut	--	--	--
Florida	--	--	--
Georgia	70,320	--	--
Idaho	187,200	--	--
Illinois	17,000	--	--
Indiana	--	--	--
Iowa	14,690	--	--
Kansas	52,500	--	--
Kentucky	35,710	--	--
Louisiana	--	--	--
Massachusetts	208,500	--	--
Michigan	9,000	--	--
Minnesota	4,000	--	--
Mississippi	74,000	--	--
Missouri	2,500	--	--
Montana	43,000	--	--
Nebraska	21,700	--	--
Nevada	61,710	--	--
New Hampshire	11,500	--	--
New Jersey	42,000	--	--
New Mexico	80,500	--	--
New York	--	--	--
North Carolina	35,600	--	--
North Dakota	10,000	--	--
Oklahoma	115,120	--	--
Oregon	204,500	--	--
Pennsylvania	190,600	--	--
Rhode Island	--	--	--
South Carolina	--	--	--
South Dakota	--	--	--
Tennessee	14,860	--	--
Texas	141,770	--	--
Utah	36,520	--	--
Vermont	48,200	--	--
Washington	--	--	--
West Virginia	--	--	--
Wisconsin	--	--	--
Wyoming	--	--	--
Virgin Island	3,500	--	--
Total, Avail./Est..	2,267,200	2,337,000 a/	2,934,000 a/

Guaranteed Soil and Water Loan Porgram

	1992 Amount	1993 Amount	1994 Amount
Arkansas	76,000	--	--
Georgia	12,000	--	--
Idaho	48,290	--	--
Kansas	66,000	--	--
Louisiana	80,000	--	--
Missouri	37,200	--	--
New Mexico	46,000	--	--
Tennessee	50,000	--	--
Vermont	12,000	--	--
Total, Avail./Est..	427,490	1,415,000 a/	2,037,000 a/

a/ Cannot be distributed by geographic area in advance.

FARM SERVICE AGENCY
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 Actual and Estimated 1993 and 1994

Insured Watershed and Flood Prevention Loan Program

	1992 Amount	1993 Amount	1994 Amount
Mississippi........	502,000	--	--
Total, Avail./Est..	502,000	4,000,000 a/	4,108,000 a/

Resource Conservation and Development Loan Program

	--	--	--
Total, Avail./Est..	--	600,000 a/	616,000 a/

a/ Cannot be distributed by geographic area in advance.

Indian Land Acquisition Loan Program

Idaho...............	388,000	--	--
North Dakota........	600,000	--	--
Total, Avail./Est...	988,000	1,000,000 a/	1,178,000 a/

a/ Cannot be distributed by geographic area in advance.

FARM SERVICE AGENCY

The 1994 Budget Estimates include proposed language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Agricultural Resource Conservation Demonstration Program

For loan guarantees authorized under sections 1465-1469 for Public Law 101-624 for the Agricultural Resource Conservation Demonstration Program, [$10,000,000] $6,881,000. For the cost, as defined in section 502 of the Congressional Budget Act of 1974, $3,644,000.

AGRICULTURAL RESOURCE CONSERVATION DEMONSTRATION PROGRAM
(On basis of loan level, subsidy, and administration expenses)
(In thousands of dollars)

	Loan Level	Subsidy	Administrative Expenses
Appropriations Act, 1993	$10,000	$3,644	0
Budget Estimate, 1994	6,881	3,644	0
Decrease in Appropriation	-3,119	0	0

PROJECT STATEMENT
(On basis of appropriated loan level, subsidy, and administrative expenses)
(In thousands of dollars)

Project	1992 Actual	1993 Appropriated	Decrease	1994 Estimated
Agricultural Resource Conservation Demonstration Program:				
Guaranteed loans	$10,000	$10,000	$-3,119	$6,881
Guaranteed loan subsidy	3,416	3,644	0	3,644
Administrative expenses	0	0	0	0

Staff-years are reflected in the Salaries and Expense Project Statement.

PROJECT STATEMENT
(On basis of 1993 loan level and subsidy supportable under 1993 Appropriation Act)
(In thousands of dollars)

Item of Change	1993 Appropriated	Decrease	1993 Current Estimate
Agricultural Resource Conservation Demonstration Program:			
Guaranteed loan	$10,000	$-3,196	$6,804
Guaranteed loan subsidy	3,644	0	3,644

EXPLANATION OF PROGRAM

The Farms for the Future Act of 1990 (section 1465 of P.L. 101-624) as amended, by section 203 of P.L. 102-237, the Food, Agriculture, Conservation, and Trade Act Amendments of 1991 provided for the issuance of loan guarantees and interest assistance on loans made to state trust funds to assist eligible states in financing a farmland protection effort to preserve vital farmland resources for future generations. Each guarantee shall be for a ten year period covering 100 percent of both principal and interest due. The Secretary shall pay all the interest due for the first five years and no less than three percentage points of

the interest for the next five years. The interest rate is negotiated between the borrower and lender, except that no eligible loan shall bear an interest rate in excess of 10 percent per year. The maximum allowable Federal loan guarantee is no more than double the amount that the eligible state makes available for acquiring and preserving farmland, up to a maximum of $10 million per year, to each eligible state, through September 30, 1996.

Justification of Decrease

A decrease of $3,119,000 for agricultural resource conservation loans ($10,000,000 available in FY 1993).

Need for Change. The Budget proposes a reduction in the amount available for guaranteed loans. The reduction in program level is a result of the proposal to fund subsidy costs at the prior year level. Since the actual costs to subsidize this program have increased from last year due to inflation and interest rate changes, a smaller loan level will be achieved.

Nature of Change. The program level will provide 1 loan in FY 1994.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 Actual and Estimated 1993 and 1994

Agricultural Credit Insurance Fund
Guaranteed Agricultural Resource Conservation Demonstration Loans

	1992 Amount	1993 Amount	1994 Amount
Vermont............	10,000,000	--	--
Total, Avail./Est..	10,000,000	10,000,000 a/	6,881,000 a

a/ Cannot be distributed by geographic area in advance.

FARM SERVICE AGENCY

The 1994 Budget Estimates include language for this item as follows:

State Mediation Grants:

For grants pursuant to section 502(b) of the Agricultural Credit Act of 1987, as amended (7 U.S.C. 5101-5106), $3,000,000.

State Mediation Grants

Appropriations Act, 1993	$3,000,000
Budget Estimate, 1994	3,000,000
No Change in Appropriation	0

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1992 Actual	1993 Appropriation	Decrease	1994 Estimated
State mediation grants, appropriation	$2,710,048	$3,000,000	0	$3,000,000

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This program is authorized under Title V of the Agricultural Credit Act of 1987. Grants are made to states which have been certified by FmHA as having an agricultural loan mediation program. Grants will be solely for operation and administration of the state's agricultural loan mediation program. A grant will not exceed 50 percent of the total fiscal year funds that a qualifying state requires to operate and administer its agricultural loan mediation program. In no case will the total amount of a grant exceed $500,000 annually.

FARM SERVECE AGENCY
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 Actual and Estimated 1993 and 1994

State Mediation Program

	1992 Amount	1993 Amount	1994 Amount
Alabama	143,402	171,433	--
Arizona	17,590	17,590	--
Arkansas	82,500	82,500	--
Indiana	39,140	--	--
Iowa	235,800	194,800	--
Kansas	425,378	387,769	--
Minnesota	300,000	300,000	--
Montana	10,000	--	--
Nebraska	140,890	157,750	--
New Mexico	61,000	117,590	--
North Dakota	387,078	389,098	--
Oklahoma	170,000	153,800	--
Oregon	58,010	52,000	--
South Dakota	48,850	45,980	--
Texas	413,110	454,421	--
Utah	10,000	15,000	--
Wisconsin	122,300	136,200	--
Wyoming	40,000	20,000	--
Nevada	5,000	5,000	--
Reserve	--	299,069	--
Total, Avail./Est.	2,710,048	3,000,000	3,000,000 a/

a/ Cannot be distributed by geographic area in advance.

FARM SERVICE AGENCY

The 1994 Budget Estimates include proposed language for this item as follows:

Grants for Outreach and Technical Assistance for Socially Disadvantaged Farmers

For grants and contracts pursuant to section 2501 of the Food, Agriculture, Conservation, and Trade Act of 1990 (7 U.S.C. 2279), $10,000,000, to remain available until expended.

Grants for Outreach and Technical Assistance for Socially Disadvantaged Farmers

Appropriation Act, 1993	0
Budget Estimate, 1994	$10,000,000
Increase in Appropriation	10,000,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1992 Actual	1993 Appropriated	Increase	1994 Estimated
Grants for outreach and technical assistance for socially disadvantaged farmers, appropriation	0	0	$10,000,000	$10,000,000

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This grant program is authorized under section 2501 of the Food, Agriculture, Conservation, and Trade Act of 1990. The Secretary of Agriculture is empowered to make grants to eligible community based organizations with demonstrated expertise in providing agricultural education or other agricultural related services to socially disadvantaged groups. Also eligible are the 1890 Land-Grant Colleges including Tuskegee Institute, Indian tribal community colleges, Hispanic servicing post-secondary educational institutions, post-secondary educational institutions having the required expertise.

Justification of Increase

An increase of $10,000,000 for socially disadvantaged farmers outreach and technical assistance grants (no funds available in FY 1993.)

Need for change. The increase is needed to insure that socially disadvantaged groups are receiving the benefits of the agricultural programs carried out by the Department of Agriculture.

Nature of Change. The funding is provided for outreach and assistance programs which will bring more farmers and ranchers included in the socially disadvantaged groups into the mainstream of the agricultural programs that are part of the Department of Agriculture.

Georgraphic breakdown of estimated obligations of $10,000,000 for fiscal year 1994 cannot be distributed by geographic area in advance.

FARM SERVICE AGENCY

The 1994 Budget Estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Housing Insurance Fund Program Account:

For gross obligations for the principal amount of direct and guaranteed loans as authorized by title V of the Housing Act of 1949, as amended, to be available from funds in the Rural Housing Insurance Fund, as follows: [$1,624,500,000] $1,956,343,000 for loans to section 502 borrowers, as determined by the Secretary, of which [$329,500,000] $381,768,000 shall be for unsubsidized guaranteed loans; [$11,330,000] $11,959,000 for section 504 housing repair loans; [$16,300,000] $16,012,000 for section 514 farm labor housing; [$573,900,000] $546,878,000 for section 515 rental housing; [$600,000] $616,000 for site loans; and [$187,000,000] $168,955,000 for credit sales of acquired property: Provided, That up to [$35,000,000] $42,556,000 of these funds shall be made available for section 502(g), Deferral Mortgage Demonstration.

For the cost of direct and guaranteed loans, including the cost of modifying loans, as defined in section 502 of the Congressional Budget Act of 1974, as follows: low-income housing section 502 loans, [$313,039,000] $321,491,000, of which [$6,096,000] $6,261,000 shall be for unsubsidized guaranteed loans; section 504 housing repair loans, [$4,548,000] $4,671,000; section 514 farm labor housing, [$8,029,000] $8,246,000; section 515 rental housing, [$305,602,000] $313,853,000; and credit sales of acquired property, [$25,039,000] $25,715,000.

In addition, for administrative expenses necessary to carry out the direct and guaranteed loan programs, [$427,011,000] $375,814,000.

RURAL HOUSING INSURANCE FUND PROGRAM ACCOUNT
(On basis of loan levels, subsidies, and administrative expenses)
(In thousands of dollars)

	Loan Level	Subsidy	Administrative Expenses
Appropriations Act, 1993	$2,413,630	$656,257	$427,011
Budget Estimate, 1994	2,700,763	673,976	375,814
Increase/Decrease in Amount	287,133	17,719	-51,197

FARM SERVICE AGENCY

SUMMARY OF PROGRAM LEVELS: FY 1992 - FY 1994

(Dollars in Thousands)

	FY 1992 Actual		FY 1993 Current Estimate		FY 1994 President Budget	
	Number	Amount	Number	Amount	Number	Amount
RURAL HOUSING PROGRAMS						
Sec 502 Dir Single Fam Housing....	29,847	1,253,800	30,240	1,295,000	42,620	1,874,575
Sec 502 Guar Single Fam./Sub......	3,844	214,393	9,760	564,305	11,480	681,768
Sec 515 Dir Multi-Fam Housing.....	755	573,900	740	573,900	680	546,878
Sec 504 Housing Repair Loans......	2,859	11,330	3,380	14,148	9,670	41,959
Sec 504 Repair Lns. - Emer Sup....	0	0	3,000	16,040	0	0
Sec 514 Farm Labor Hsg. Loans.....	53	15,942	53	16,300	52	16,012
Sec 524 RH Site Dev. Loans........	2	371	2	600	2	616
Credit Sales of Acquired Property.	5,443	183,802	5,480	185,200	4,860	168,955
Subtotal RH Loans.............	42,803	2,253,538	52,655	2,665,493	69,364	3,330,763
RENTAL ASSISTANCE PROGRAM						
Sec 521 Rental Assistance.........	1,872	319,605	1,853	325,899	2,294	415,917
Sec 502 Rental Assistance.........	1	241	48	11,800	23	5,900
Subtotal Rental Assistance....	1,873	319,846	1,901	337,699	2,317	421,817
RURAL HOUSING SUPPORT PROGRAMS						
Sec 516 Farm Labor Hsg Grants.....	26	13,519	32	11,294	21	11,297
Sec 516 Farm Lab. Gts. Em. Supp...	0	0	9	10,500	0	0
Sec 504 Housing Repair Grants.....	3,678	12,803	5,283	18,165	8,414	30,838
Sec 504 Hous. Repair Gts. Em. Supp	0	0	2,909	10,000	0	0
Sec 523 Mutual S/H Hsg Grants.....	47	8,104	182	19,888	117	13,094
Sec 509 Construction Defects......	35	193	265	1,663	106	514
Sec 523 Self-Hous Land Dev. Lns...	1	500	1	500	1	622
Sec 533 Hous Preservataion Gts....	190	23,000	185	23,000	185	23,621
Sec 525 Supr.& Tech. Asst. Gts....	0	0	4	1,000	10	2,568
Housing Vouchers-RRAP Units.......	0	0	0	0	38	75,000
Subtotal Housing Support......	3,977	58,119	8,870	96,010	8,892	157,554
TOTAL FmHA HOUSING PROGRAMS.......	48,653	2,631,503	63,426	3,099,202	80,573	3,910,134

FARMERS HOME ADMINISTRATION
COMPARISON OF LOAN DELINQUENT RATE
(Dollars in Thousands)

	September 30, 1991						September 30, 1992					
	All Borrowers		Borrowers Delinquent				All Borrowers		Borrowers Delinquent			
	Number	Amount of Loans Outstanding	Number	% of Del	Amount Delinquent	% of All	Number	Amount of Loans Outstanding	Number	% of Del	Amount Delinquent	% of All
Rural Housing Insurance Fund												
Low to Mod.-Inc. Hous. Lns: Repair (Section 504)......	27,600	63,098	2,730	10	701	1	27,238	64,027	2,765	10	853	1
General Purpose (Sec. 502):												
Interest Credit.........	339,272	11,953,790	59,576	18	53,543	0	330,354	12,047,041	48,706	15	45,543	0
Non-Interest Credit.....	353,012	6,719,607	63,244	18	182,597	3	338,204	6,616,928	52,122	15	162,628	2
Guaranteed Rural Housing....	558	16,907	48	9	314	2	2,875	143,875	50	2	212	0
Above Moderate-Income Hous. Loans (Section 502).....	8,466	110,901	714	8	1,509	1	4,667	54,067	390	8	1,213	2
Domestic Farm Labor Loans (Section 514)............	1,303	151,148	101	8	1,381	1	1,301	165,384	98	8	1,266	1
Rental or Cooperative Loans (Section 515)............	16,034	9,942,073	792	5	21,002	0	16,379	10,406,197	432	3	17,144	0
Site Lns (Sec 523 & 524) 1/.	3	575	2	67	282	49	5	910	1	20	227	25
Nonprogram Loans............	..	..	..	..	..	..	12,601	261,628	925	7	1,389	1
Total, RHIF.......	746,248	28,958,099	127,207	17	261,329	1	733,624	29,760,057	105,489	14	230,475	1

1/ Activity for Section 523 Site Loans is part of the Self-Help Land Development Fund.

FARMERS HOME ADMINISTRATION
Direct Aging Schedule of Loan Delinquencies - Sept. 30, 1992
(Dollars in Thousands)

	Total Borrowers Delinquent		1 Yr or Less Delinquent				1 to 2 Years Delinquent				2 to 3 Years Delinquent				3 to 4 Years Delinquent				Over 4 Years Delinquent			
	Number	Total Delinq. for All Years	Number	% of Del	Amount Delinq.	% of Del	Number	% of Del	Amount Delinq.	% of Del	Number	% of Del	Amount Delinq.	% of Del	Number	% of Del	Amount Delinq.	% of Del	Number	% of Del	Amount Delinq.	% of Del
Rural Housing Insurance Fund																						
Low to Mod. Inc. Hous. Lns:																						
Repair (Section 504)......	2,765	853	1,985	72	129	15	340	12	128	15	139	5	102	12	95	3	97	11	206	7	398	47
General Purpose (Sec. 502):																						
Interest Credit.........	48,706	45,543	40,878	84	18,419	40	5,012	10	12,810	28	1,620	3	6,466	14	620	1	3,380	7	576	1	4,467	10
Non Interest Credit.....	52,122	162,628	37,589	72	30,992	19	6,827	13	32,207	20	2,823	5	21,937	13	1,393	3	14,554	9	3,490	7	62,940	39
Above Moderate Income Hous.																						
Loans (Section 502).....	390	1,213	281	72	176	15	33	8	137	11	24	6	148	12	11	3	88	7	41	11	664	55
Domestic Farm Labor Loans																						
(Section 514)............	98	1,266	8	8	123	10	35	36	80	6	8	8	59	5	4	4	49	4	43	44	954	75
Rental or Cooperative Loans																						
(Section 515)............	432	17,144	289	67	3,892	23	68	16	4,364	25	26	6	1,950	11	12	3	641	4	37	9	6,298	37
Site Lns (Sec 523 & 524) 1/.	1	227	0	0	0	0	0	0	0	0	1	100	227		0	0	0	0	0	0	0	0
Nonprogram Loans...........	925	1,389	770	83	482	35	90	10	353	25	35	4	206	15	17	2	207	15	13	1	141	10
Total, RHIF.......	105,439	230,263	81,800	78	54,213	24	12,405	12	50,079	22	4,676	4	31,095	14	2,152	2	19,016	8	4,406	4	75,862	33

1/ Activity for Section 523 Site Loans is part of the Self-Help Land Development Fund.

FARMERS HOME ADMINISTRATION
Summary of Rural Housing Programs
(Dollar Amount in Thousands)

Program	1991 Actual 1/ Units	1991 Actual Avg. Unit Cost	1991 Actual Number of Obligations	1991 Actual Dollar Amount	1992 Actual 1/ Units	1992 Actual Avg. Unit Cost	1992 Actual Number of Obligations	1992 Actual Dollar Amount
Rural Housing Insurance Fund:								
Section 502 Single-Family Housing:								
Low-Income housing:								
Subsidized	22,614	$55,256	30,314	$1,249,562	21,181	$57,733	27,776	$1,222,850
Subsidized in lieu of credit sales								
Unsubsidized	356	$32,194	356	$11,461	428	$31,779	428	$13,601
Unsubsidized low or moderate income loans for servicing or assumptions	249	$61,072	1,705	$15,207	253	$68,569	1,643	$17,348
Total, Insured Section 502	23,219	$54,965	32,375	$1,276,230	21,862	$57,351	29,847	$1,253,800
Section 502 Guaranteed loans:								
Subsidized	488	$61,439	488	$29,982	0	$0	0	$0
Unsubsidized	172	$48,944	174	$8,418	3,828	$56,007	3,844	$214,393
Total, Guaranteed Section 502	660	$58,183	662	$38,401	3,828	$56,007	3,844	$214,393
Total, Section 502	23,879	$55,054	33,037	$1,314,631	25,690	$57,150	33,691	$1,468,193
Credit Sales of Acquired Property								
Subsidized, unsubsidized, and program ineligible loans	7,420	$32,485	7,241	$241,039	5,555	$33,088	5,443	$183,802
Section 515 Rural Rental Housing								
Subsidized loans	15,396	$37,434	722	$576,335	14,787	$38,811	755	$573,900
Section 521 Rental Assistance Program								
Renewal/replacement and for various servicing purposes.	16,155	$10,636	1,926	$308,094				
(nonadd new const units)	(12,812)							
Section 502(c)(5)(D) Rental Assistance Program								
In lieu of forgiveness	273	$11,081	7	$3,025				
Section 514 Farm Labor Housing Loans 2/	753	$32,156	57	$13,836	574	$50,058	53	$15,942
Section 504 Very Low Income Housing Repair Loans	2,557	$4,416	2,951	$11,292	2,467	$4,593	2,859	$11,330
Dire Emergency Supplemental included above)								
Section 524 Rural Housing Site Loans	--	--	2	$600	--	--	2	$371
TOTAL, Rural Housing Insurance Fund	66,433	$37,163	45,943	$2,468,851	49,073	$45,922	42,803	$2,253,538

Program	1991 Actual 1/ Units	Avg. Unit Cost	Number of Obligations	Dollar Amount	1992 Actual 1/ Units	Avg. Unit Cost	Number of Obligations	Dollar Amount
Section 521 Rental Assistance Program								
Renewal/replacement and for various servicing purposes					17,018	$10,858	1,872	$319,605
(nonadd new const units)					(12,416)			
Section 502(c)(5)(D) Rental Assistance Program								
In lieu of forgiveness					23	$10,477	1	$241
Section 516 Farm Labor Housing Grants								
Grants 2/	--	--	12	$10,377	--	--	16	$12,791
Dire Emergency Supplemental included above)					--	--	--	--
Contracts	--	--	5	$290	--	--	10	$728
Section 523 Mutual and Self-Help Housing								
Grants 3/	--	--	41	$12,034	--	--	40	$7,776
Contracts	--	--	5	$1,171	--	--	7	$328
Section 504 Very Low Income Housing Repair Grants	2,882	$4,420	3,695	$12,740	2,881	$4,444	3,678	$12,803
Dire Emergency Supplemental included above)					--	--	--	--
Self-Help Land Development Fund								
Section 523 Site Loans	--	--	2	$500	--	--	1	$500
Rural Housing Voucher Program	--	--	--	--	--	--	--	--
Compensation for Construction Defects	--	--	76	$169	--	--	35	$193
Section 533 Rural Housing Preservation Grants	4,582	$5,020	193	$23,000	3,981	$5,777	190	$23,000
Section 525 Supervisory and Technical Assistance Grants	--	--	--	--	--	--	--	--
TOTAL, RURAL HOUSING PROGRAMS	73,897	$34,225	49,972	$2,529,132	72,976	$36,060	48,653	$2,631,504

1/ Numbers in the "units" columns represent housing units provided by FmHA. Each housing unit is generally capable of accomodating one family, although average family size varies among programs. Numbers in parentheses reflect assistance to housing units which are recorded under other programs.

2/ Farm labor grants are made in conjunction with loans and the units provided are shown under the loan program. Average unit cost calculation based on total amount of loan and grant programs.

3/ Self-help grants provide funds for technical assistance rather than actual construction. The loan funds are usually provided under the section 502 program; therefore, the units assisted are recorded as units financed by section 502.

FARMERS HOME ADMINISTRATION
Summary of Rural Housing Programs
(Dollar Amount in Thousands)

Program	1993 Estimate				1994 Estimate			
	1/ Units	Avg Unit Cost	Number of Obligations	Dollar Amount	1/ Units	Avg Unit Cost	Number of Obligations	Dollar Amount
Rural Housing Insurance Fund:								
Section 502 Single-Family Housing								
Low-Income housing								
Subsidized	20,940	$59,456	27,310	$1,245,000	29,520	$61,049	38,490	$1,802,175
Subsidized in lieu of credit sales	0	$0	0	$0	0	$0	0	$0
Unsubsidized	730	$34,247	730	$25,000	1,030	$35,146	1,030	$36,200
Unsubsidized low or moderate income loans for servicing or assumptions ...	--	--	2,200	$25,000	--	--	3,100	$36,200
Total, Insured Section 502	21,670	$59,760	30,240	$1,295,000	30,550	$61,361	42,620	$1,874,575
Section 502 Guaranteed loans								
Subsidized	0	$0	0	$0	0	$0	0	$0
Unsubsidized	9,710	$58,116	9,760	$564,305	11,420	$59,699	11,480	$681,768
Total, Guaranteed Section 502	9,710	$58,116	9,760	$564,305	11,420	$59,699	11,480	$681,768
Total, Section 502	31,380	$59,251	40,000	$1,859,305	41,970	$60,909	54,100	$2,556,343
Credit Sales of Acquired Property								
Subsidized, unsubsidized, and program ineligible loans	5,600	$33,071	5,480	$185,200	5,000	$33,791	4,860	$168,955
Section 515 Rural Rental Housing								
Subsidized loans	14,320	$40,077	740	$573,900	13,280	$41,181	680	$546,678
Section 521 Rental Assistance Program								
Renewal/replacement and for various servicing purposes (nonadd new const units)								
Section 502(c)(5)(D) Rental Assistance Program								
In lieu of forgiveness								
Section 514 Farm Labor Housing Loans 2/	740	$50,127	53	$16,300	520	$51,363	52	$16,012
Section 504 Very Low Income Housing Repair Loans	5,660	$5,334	6,380	$30,188	8,460	$4,960	9,670	$41,959
Dire Emergency Supplemental included above)	(2,700)	$5,941	(3,000)	($16,040)				
Section 524 Rural Housing Site Loans	--	--	2	$500	--	--	2	$616
TOTAL, Rural Housing Insurance Fund	57,700	$46,196	52,655	$2,665,493	69,230	$48,112	69,364	$3,330,763

Program	1993 Estimate 1/ Units	Avg. Unit Cost	Number of Obliga-tions	Dollar Amount	1994 Estimate 1/ Units	Avg. Unit Cost	Number of Obliga-tions	Dollar Amount
Section 521 Rental Assistance Program								
Renewal/replacement and for various servicing purposes	16,201	11,848	1,860	$326,780	24,007	12,301	2,300	$415,917
(nonadd new const units)	(11,380)				(9,804)			
Section 502(c)(5)(D) Rental Assistance Program								
In lieu of forgiveness	925	$11,804	40	$10,919	487	$12,115	21	$5,900
Section 516 Farm Labor Housing Grants								
Grants 2/	--	--	28	$20,794	--	--	13	$10,697
Dire Emergency Supplemental included above)..........	--	--	(9)	($10,500)	--	--	--	--
Contracts	--	--	13	$1,000	--	--	8	$600
Section 523 Mutual and Self-Help Housing								
Grants 3/	--	--	157	$18,688	--	--	92	$11,894
Contracts	--	--	25	$1,200	--	--	25	$1,200
Section 504 Very Low Income Housing Repair Grants	6,550	$4,299	8,192	$28,165	7,000	$4,405	8,414	$30,836
Dire Emergency Supplemental included above)..........	(2,326)	($4,299)	(2,909)	($10,000)	--	--	--	--
Self-Help Land Development Fund								
Section 523 Site Loans	--	--	1	$500	--	--	1	$622
Rural Housing Voucher Program	--	--	--	--	3,750	$20,000	38	$75,000
Compensation for Construction Defects	--	--	265	$1,663	--	--	106	$514
Section 533 Rural Housing Preservation Grants	4,000	$5,750	185	$23,000	4,000	$5,905	185	$23,621
Section 525 Supervisory and Technical Assistance Grants	--	--	4	$1,000	--	--	18	$4,568
TOTAL, RURAL HOUSING PROGRAMS	85,376	$36,301	63,425	3,099,202	108,474	$36,065	80,585	3,912,134

1/ Numbers in the "units" columns represent housing units provided by FmHA. Each housing unit is generally capable of accomodating one family, although average family size varies among programs. Numbers in parentheses reflect assistance to housing units which are recorded under other programs.

2/ Farm labor grants are made in conjunction with loans and the units provided are shown under the loan program. Average unit cost calculation based on total amount of loan and grant programs.

3/ Self-help grants provide funds for technical assistance rather than actual construction. The loan funds are usually provided under the section 502 program, therefore, the units assisted are recorded as units financed by section 502.

PROJECT STATEMENT

(On basis of appropriated loan levels, subsidies and administrative expenses)

(In thousands of dollars)

Item of Change	1992 Actual		1993 Appropriated		Increase or Decrease		1994 Estimate	
	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy
Single family housing:								
Direct loans	$1,253,800	$283,860	$1,295,000	$306,943	$279,575 (1)	$8,287	$1,574,575	$315,230
Guaranteed loans unsubsidized	214,393	2,423	329,500	6,096	52,268 (2)	165	381,768	6,261
Guaranteed loans subsidized	--	--	--	--	--	--	--	--
Multi-family housing direct loans	573,900	248,499	573,900	305,602	-27,022 (3)	8,251	546,878	313,853
Housing Repair direct loans	11,330	4,863	11,330	4,548	629 (4)	123	11,959	4,671
Farm labor housing direct loans	15,942	8,802	16,300	8,029	-288 (5)	217	16,012	8,246
Site development direct loans	371	1	600	0	16 (6)	0	616	0
Credit sales of acquired property	183,802	27,005	187,000	25,039	-18,045 (7)	676	168,955	25,715
Unobligated balance, expired	223,092	11,372	--	--	--	--	--	--
Unobligated balance, unexpired	10,000	5,000	--	--	--	--	--	--
Total:								
Direct loans and subsidies	2,157,130	588,102	2,084,130	650,161	234,865	17,554 (8)	2,318,995	667,715
Guaranteed unsubsidized loans and subsidies	329,500	3,723	329,500	6,096	52,268	165 (9)	381,768	6,261
Guaranteed subsidized loans and subsidies	--	--	--	--	--	--	--	--
Total Loans and subsidies	2,486,630	591,825	2,413,630	656,257	287,133	17,719	2,700,763	673,976
Administrative expenses		388,438		427,011				375,814
Unobligated balance, expired		38,673		--				--
Total administrative expenses b/		427,111		427,011		-51,197 (10)		375,814
Total, Appropriation	2,486,630	1,018,936	2,413,630	1,083,268			2,700,763	1,049,790
FY 1992 Emergency Supplemental Act:								
Available carryover	--	--	10,000 a/	5,000 a/	-10,000	-5,000	0	0
Contingent amount approved	--	--	3,500 a/	1,400 a/	-3,500	-1,400	0	0
Economic Stimulus			237,623	5,421	-237,623	-5,421	0	0
Investment Proposal			0	0	630,000	76,698	630,000	76,698
Total, President's Budget			2,664,753	1,095,089			3,330,763	1,126,488

Staff-years are reflected in the Salaries and Expenses Project Statement.

a/ The 1992 Dire Emergency Supplemental Appropriations Act, P.L. 102-368, provided for Housing Repair Loans additional direct loan authorization of $39,500,000 and loan subsidy of $19,750,000, of which $14,750,000 shall be available only to the extent an official budget request for a specific dollar amount is transmitted to Congress, to remain available through September 30, 1993, to cover the costs arising from natural disasters. In addition to the $5,000,000 loan subsidy originally authorized, an official budget request for $1,400,000 was submitted and approved in FY 1993.

b/ Of the $427,011,000 for administrative expenses in FY 1993, $22,265,000 will be retained for obligation of program-related nonrecoverable costs. Of the $375,814,000 in FY 1994, $22,180,000 will be retained for obligation of program-related nonrecoverable costs.

PROJECT STATEMENT
(On basis of 1993 loan levels and subsidies supportable
under 1993 Appropriations Act)
(In thousands of dollars)

Item of Change	1993 Appropriated		Increase or Decrease		1993 Current Estimate	
	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy
Single family housing:						
Direct loans	$1,295,000	$306,943	0	$-35,511	$1,295,000	$271,432
Guaranteed loans unsubsidized	329,500	6,096	0	-66	329,500	6,030
Guaranteed loans subsidized	0	0	0	0	0	0
Multi-family housing:						
Direct loans	573,900	305,602	0	-2,985	573,900	302,617
Housing repair:						
Direct loans	11,330	4,548	0	-27	11,330	4,521
Farm labor housing:						
Direct loans	16,300	8,029	0	-158	16,300	7,871
Site loans:						
Direct loans	600	0	0	0	600	0
Credit sales of acquired property	187,000	25,039	-1,800	0	185,200	25,039
Total:						
Direct loans and subsidies	2,084,130	650,161	-1,800	-38,681	2,082,330	611,480
Guaranteed unsubsidized loans and subsidies	329,500	6,096	0	-66	329,500	6,030
Guaranteed subsidized loans and subsidies	0	0	0	0	0	0
Total Loans and subsidies	2,413,630	656,257	-1,800	-38,747	2,411,830	617,510

Staff-years are reflected in the Salaries and Expenses Project Statement.

Note - Economic Stimulus package and carryover from FY 1992 Dire Emergency Supplemental not included.

- Current Estimate column is based on the second quarter execution calculation. Where loan levels are reduced, the calculated subsidy rate has increased and cannot support the appropriated loan level. Subsidy amounts are reduced when the apppropriated loan level does not require as much subsidy.

EXPLANATION OF PROGRAM

As required by Title XIII, section 13201, of the Omnibus Budget Reconciliation Act of 1990, this account records the subsidy costs associated with the direct loan obligations and guaranteed loan commitments of this account in FY 1992 and beyond. Subsidy amounts are obtained by estimating the difference between the Government's cash disbursements and the net present value of the Government's cash inflows resulting from direct and guaranteed loans made through this account. For the requested FY 1994 direct loans of $2,648,995,000 and guaranteed loans of $681,768,000, the associated lifetime subsidy is estimated to be $739,493,000 and $11,181,000, respectively.

The Rural Housing Insurance Fund (RHIF) was established under the authority contained in section 1003(a) of the Housing and Urban Development Act of 1965 (Public Law 89-117), approved August 10, 1965. Public Law 89-117 authorized an appropriation of such sums as may be necessary for the purposes of the fund. An Appropriation of $100,000,000 was provided by the Supplemental Appropriation Act, 1966, (Public Law 89-309), to capitalize the fund for future operations.

Public Law 89-117 transferred authorities for making insured farm labor housing loans and insured rural rental or cooperative housing loans from the Agricultural Credit Insurance Fund to the Rural Housing Insurance Fund. Public Law 90-448, approved August 1, 1968, authorized interest credits to the accounts of certain qualified borrowers. Public Law 91-152, approved December 24, 1969, transferred the assets, liabilities, and authorizations of the Rural housing direct loan account to the Rural Housing Insurance Fund.

For other legislative information on the Rural Housing Insurance Fund and FmHA's housing program authorities, Title V of the Housing Act of 1949, as amended, serves as the Agency's primary source of substantive housing legislation.

Rural housing building and repair loans (Section 502 of the Housing Act of 1949, as amended) - Loans are made to enable eligible low-income applicants to purchase, construct, improve, alter, repair or replace dwellings in rural areas, if their need for necessary housing cannot be met with financial assistance from other sources. Not less than 40 percent of the funding authorized nationally shall be set aside and not less than 30 percent in each State will be available for very low-income families. These loans bear a note rate based on the cost-of-money to the Treasury with provisions for interest credit, which may reduce the interest rate to as low as 1 percent under certain circumstances. Such loans may not exceed amounts necessary to provide adequate housing which is modest in size, design, and cost.

Building loans are made to farm owners, owners of other real estate in rural areas, others who are or will become rural residents, and long-term leaseholders. These loans are generally repayable in not more than 33 years; however, persons whose incomes do not exceed 60 percent of the median income for the area could receive loans with maturities of up to 38 years.

Rural housing very low-income repair loans (Section 504 of the Housing Act of 1949, as amended) - Loans are authorized to be made to very low-income individuals and families to repair or rehabilitate their dwellings. The loans are made at 1 percent for a term of not more than 20 years and presently have a maximum loan amount of $15,000.

Rural rental and cooperative building loans (Section 515 of the Housing Act of 1949, as amended) - Loans are authorized to be made to individuals, corporations, Indian tribes, associations, public bodies, trusts, or partnerships to provide moderate cost rental or cooperative housing and related facilities for elderly or handicapped persons or families and other persons of low-, very low-, and moderate-income in rural areas. Priority for rural rental housing loans is for applicants proposing to serve low- and very low-income families and persons in most rural areas. These loans are repayable in not more than 50 years and currently bear a note rate based on the cost-of-money to the Treasury with provision for interest credits to benefit tenants by reducing the interest rate to as low as 1 percent under certain circumstances. These loans are made only if the need for necessary housing cannot be met with financial assistance from other sources except in the case of public bodies. The Farmers Home Administration has in the past made its rural rental housing loans in conjunction with the Department of Housing and Urban Development's

Section 8 rent subsidy program. Loans made for units that have received Section 8 assistance bear an interest rate that is reduced either 1 percent or 2 percent below the unsubsidized rate, depending upon the circumstances of the individual project.

Rural housing site loans (Section 524 of the Housing Act of 1949, as amended) - Loans are made for the purchase and development of land to be subdivided into building sites for low- to moderate-income housing borrowers and rural rental and cooperative housing borrowers. Loans are made at a note rate based on the cost-of-money to the Treasury and are repayable in 2 years.

Farm labor housing loans (Section 514 of the Housing Act of 1949, as amended) - Loans are authorized to be made to a farm owner, to certain public or broad-based private nonprofit organizations, public bodies, or to a nonprofit organization of farmworkers to provide most living quarters, basic household furnishings, and related facilities, including land necessary for an adequate site, for domestic farm labor. Loans will be made based on a determination of need considering housing needs of domestic farm labor, including migrant farmworkers in the area without regard to other housing needs in the area. These loans are repayable in not more than 33 years and bear interest not in excess of 1 percent, except under certain circumstances. Loans to organizations may be made simultaneously with farm labor housing grants which are discussed elsewhere in these justifications.

JUSTIFICATION OF INCREASES AND DECREASES

The President's Budget proposes to finance an estimated 108,474 units in 1994 under the housing loan and grant programs. The loan programs under this account will support approximately 69,230 units. FSA is proposing Current Services Baseline program levels for all programs plus an Investment Initiative Package of increases for selected programs.

(1) An increase of $279,575,000 in direct single family housing loans ($1,295,000,000 available in FY 1993).

Need for Change. The Budget proposes to increase direct single family housing loans as the result of inflation and changes in economic assumptions.

Nature of Change. The Budget proposes an increase in the direct single family housing loan program as part of the Administration's efforts to stimulate the economy through rural development. This level will finance an estimated 25,660 units and make 35,800 initial and subsequent loans in FY 1994.

(2) An increase of $52,268,000 in unsubsidized guaranteed single family housing loans ($329,500,000 available in FY 1993).

Need for Change. The Budget proposes to increase guaranteed loans without interest assistance as the result of inflation and changes in economic assumptions.

Nature of Change. The Budget proposes an increase in the guaranteed single family housing loan program as part of the Administration's efforts to stimulate the economy through rural development. This level will finance an estimated 6,395 units without interest assistance in FY 1994.

(3) A decrease of $27,022,000 in direct multi-family housing loans ($573,900,000 available in FY 1993).

Need for Change. The Administration recognizes the need to continue financial assistance through the direct rental housing loan program. This proposed reduction still reflects an increase for inflation, but the deliverable program level has been reduced due to the projected increase in the subsidy rate.

Nature of Change. This level will finance an estimated 13,280 units in FY 1994.

(4) An increase of $629,000 in direct very low-income housing repair loans ($11,330,000 available in FY 1993).

<u>Need for Change</u>. The Budget proposes to increase housing repair loans as the result of inflation and changes in economic assumptions.

<u>Nature of Change</u>. The Budget proposes an increase in the direct housing repair loan program as part of the Administration's efforts to stimulate the economy through rural development. This level will assist 2,756 families with housing repair loans in FY 1994.

(5) <u>A decrease of $288,000 in direct farm labor housing loans ($16,300,000 available in FY 1993)</u>.

<u>Need for Change</u>. This proposed reduction still reflects an increase for inflation, but the deliverable program level has been reduced due to the projected increase in the subsidy rate. The Administration recognizes that there is a great need for adequate and suitable housing for both migrant and year-round farm laborers, and the modest decrease will have a minimal impact on the Agency's ability to continue to provide assistance under this loan program.

<u>Nature of Change</u>. This loan program level taken in conjunction with the farm labor grants will produce an estimated 790 units in FY 1994.

(6) <u>An increase of $16,000 in direct site loans ($600,000 available in FY 1993)</u>.

<u>Need for Change</u>. The Budget proposes to increase the direct site loan program as a result of inflation and changes in economic assumptions.

<u>Nature of Change</u>. The Budget proposes an increase in the direct site loan program as part of the Administration's efforts to stimulate the economy through rural development. Under proposed funding, an estimate of 2 loans will be made in FY 1994.

(7) <u>A decrease of $18,045,000 in credit sales of acquired property ($187,000,000 available in FY 1993)</u>.

<u>Need for Change</u>. The Budget proposes to increase this program as a result of inflation and changes in economic assumptions, but a projected subsidy rate increase has reduced the amount of supportable loan program.

<u>Nature of Change</u>. The level projected is sufficient to cover the estimated need for direct loan financing required to enable the Agency to manage the timely sale of properties acquired in the servicing of its loan portfolio.

(8) <u>An increase of $17,554,000 in the direct loan subsidy ($650,161,000 available in FY 1993)</u>.

<u>Need for Change</u>. The estimated subsidy amount is sufficient to support the direct loan obligations associated with the requested FY 1994 loan level, as required under the provisions of the Omnibus Budget Reconciliation Act of 1990.

(9) <u>An increase of $165,000 in the guaranteed loan subsidy ($6,096,000 available in FY 1993)</u>.

<u>Need for Change</u>. The estimated subsidy amount is necessary to support the unsubsidized guaranteed loan commitment authority requested in FY 1994, as required under the provisions of the Omnibus Budget Reconciliation Act of 1990.

(10) <u>A decrease of $51,197,000 in administrative expenses ($427,011,000 available in FY 1993)</u>.

<u>Need for Change</u>. Justification for administrative expenses in the amount of $353,634,000 and the associated staff-years are reflected in the Salaries and Expenses Project Statement. A balance of $22,180,000 will be retained by the program account for obligation of program-related, nonrecoverable costs.

Rural Housing Insurance Fund Program Account
Summary of Economic Stimulus Proposal

SUMMARY OF INCREASES - ECONOMIC STIMULUS PROPOSAL
(In thousands of dollars)

	FY 1993					
	Base Request		Stimulus Proposal		Total Request	
Item of Change	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy
Single family housing						
Direct loans	$1,295,000	$306,943	0	0	$1,295,000	$306,943
Guaranteed loans unsubsidized	329,500	6,096	$234,805	$4,297	564,305	10,393
Guaranteed loans subsidized	--	--	--	--	--	--
Multi-family housing direct loans	573,900	305,602	0	0	573,900	305,602
Housing repair direct loans	11,330	4,548	2,818	1,124	14,148	5,672
Farm labor housing direct loans	16,300	8,029	0	0	16,300	8,029
Site development direct loans	600	0	0	0	600	0
Credit sales of acquired property	187,000	25,039	0	0	187,000	25,039
Total						
Direct loans and subsidies	2,084,130	650,161	2,818	1,124	2,086,948	651,285
Guaranteed unsubsidized loans and subsidies	329,500	6,096	234,805	4,297	564,305	10,393
Guaranteed subsidized loans and subsidies	--	--	---	--	--	--
Total Loans and subsidies	2,413,630	656,257	237,623	5,421	2,651,253	661,678

Explanation of Stimulus Proposal

The short-term Economic Stimulus package is proposed to produce more jobs by investing in the nation's infrastructure, to make an added investment to human capital by providing additional assistance to people who are in need, and to provide insurance against a further lapse in the economic recovery. To provide needed assistance for the special concerns of rural areas, the Economic Stimulus proposal includes a total of $237,623,000 in additional program level above the FY 1993 levels provided by Congress for the Rural Housing Insurance Fund. The Stimulus package proposes an increase of $2,818,000 in very-low income housing repair loans, and $234,805,000 in unsubsidized guaranteed single family housing loans. The proposed increases are estimated to provide an additional 673 housing repair loans and 4,040 guaranteed single family housing units. The loan subsidy amounts requested to cover the costs of these loan level increases are $1,124,000, and $4,297,000, respectively.

Rural Housing Insurance Fund Program Account
Summary of Investment Proposal

SUMMARY OF INCREASES - INVESTMENT PROPOSAL
(In thousands of dollars)

	FY 1994					
	Base Request		Investment Proposal		Total Request	
Item of Change	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy
Single family housing:						
Direct loans	$1,574,575	$315,230	$300,000	$60,060	$1,874,575	$375,290
Guaranteed loans unsubsidized	381,768	6,261	300,000	4,920	681,768	11,181
Guaranteed loans subsidized	--	--	--	--	--	--
Multi-family housing direct loans	546,878	313,853	0	0	546,878	313,853
Housing repair direct loans	11,959	4,671	30,000	11,718	41,959	16,389
Farm labor housing direct loans	16,012	8,246	0	0	16,012	8,246
Site development direct loans	616	0	0	0	616	0
Credit sales of acquired property	168,955	25,715	0	0	168,955	25,715
Total:						
Direct loans and subsidies	2,318,995	667,715	330,000	71,778	2,648,995	739,493
Guaranteed unsubsidized loans and subsidies	381,768	6,261	300,000	4,920	681,768	11,181
Guaranteed subsidized loans and subsidies	--	--	--	--	--	--
Total Loans and subsidies	2,700,763	673,976	630,000	76,698	3,330,763	750,674

Explanation of Investment Proposal

The Investment Initiative proposes that additional resources be provided to increase employment opportunities for rural individuals, and to upgrade community infrastructure in order to improve the quality of life for rural residents. Under the Administration's Rural Development Initiative, three programs under the Rural Housing Insurance Fund are proposed for Investment increases in order to improve the housing conditions of low-income, rural residents. The two largest increases are $300 million increments to both the direct and the guaranteed single family housing programs, estimated to finance an additional 4,890 direct and 5,025 guaranteed single family housing units. A $30 million increase is also proposed for the very low-income housing repair loan program, estimated to finance an additional 6,914 housing repair loans. The loan subsidy amounts requested to cover the costs of these loan level increases are $60,060,000, $4,920,000, and $11,718,000, respectively.

Proposed Language

Rural Housing Insurance Fund Program Account:

> In addition to funding already available, $630,000,000 for gross obligations for the principal amount of direct and guaranteed loans authorized by title V of the Housing Act of 1949, as amended, to be made available as follows: $300,000,000 for direct section 502 loans; $300,000,000 for unsubsidized guaranteed section 502 loans; and $30,000,000 for direct section 504 housing repair loans: Provided, That up to $8,108,000 of these funds shall be made available for section 502(g), Deferral Mortgage Demonstration.
>
> For the cost of direct and guaranteed loans, including the cost of modifying loans, as defined in section 502 of the Congressional Budget Act of 1974, as follows: direct section 502 loans, $60,060,000; unsubsidized guaranteed section 502 loans, $4,920,000; and direct section 504 loans, $11,718,000.

This language supports the Administration's effort to provide economic stimulus through investment in improving the national infrastructure.

FARM SERVICE AGENCY
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 and Estimated 1993 and 1994

Rural Housing Insurance Fund
Low Income Loan Program-Direct Loans

	1992 Amount	1993 Amount	1994 Amount
Alabama............	33,234,790	30,729,000	52,239,300
Alaska.............	5,086,300	4,225,000	7,182,500
Arizona............	13,796,230	11,539,000	19,616,300
Arkansas...........	19,993,640	22,938,000	38,994,600
California.........	68,020,970	41,925,000	70,384,325
Colorado...........	16,217,470	10,056,000	17,095,200
Connecticut........	9,067,380	8,511,000	14,468,700
Delaware...........	4,304,670	2,804,000	4,766,800
Florida............	40,202,450	29,181,000	49,607,700
Georgia............	37,522,650	39,601,000	67,321,700
Hawaii.............	6,277,490	3,832,000	6,514,400
Idaho..............	9,146,020	7,794,000	13,249,800
Illinois...........	24,475,860	34,222,000	58,177,400
Indiana............	34,566,410	31,711,000	53,908,700
Iowa...............	25,211,180	20,444,000	34,754,800
Kansas.............	14,472,230	15,302,000	26,013,400
Kentucky...........	37,643,400	35,840,000	60,928,000
Louisiana..........	16,849,470	26,784,000	45,532,800
Maine..............	41,688,670	11,603,000	19,725,100
Maryland...........	18,037,660	13,124,000	22,310,800
Massachusetts......	19,116,430	14,194,000	24,129,800
Michigan...........	39,415,780	40,091,000	68,154,700
Minnesota..........	35,332,870	23,365,000	39,720,500
Mississippi........	39,740,400	26,701,000	45,391,700
Missouri...........	29,201,780	28,676,000	48,749,200
Montana............	3,893,970	6,621,000	11,255,700
Nebraska...........	5,582,370	9,771,000	16,610,700
Nevada.............	5,174,690	2,345,000	3,986,500
New Hampshire......	21,074,300	7,111,000	12,088,700
New Jersey.........	12,870,320	11,279,000	19,174,300
New Mexico.........	11,121,530	9,531,000	16,202,700
New York...........	39,601,830	40,165,000	68,280,500
North Carolina.....	53,150,520	53,904,000	90,748,625
North Dakota.......	5,954,470	5,534,000	9,407,800
Ohio...............	47,397,810	46,730,000	79,441,000
Oklahoma...........	8,950,250	19,616,000	33,347,200
Oregon.............	20,518,200	16,069,000	27,317,300
Pennsylvania.......	68,590,300	55,682,000	93,771,225
Rhode Island.......	2,339,950	1,781,000	3,027,700
South Carolina.....	32,346,860	27,328,000	46,457,600
South Dakota.......	11,120,620	6,781,000	11,527,700
Tennessee..........	37,006,000	33,930,000	57,681,000
Texas..............	22,719,210	60,300,000	101,621,825
Utah...............	6,266,770	4,448,000	7,561,600
Vermont............	18,503,120	5,561,000	9,453,700
Virginia...........	38,389,470	34,176,000	58,099,200
Washington.........	32,681,900	18,874,000	32,085,800
West Virginia......	24,081,960	22,071,000	37,520,700
Wisconsin..........	28,103,570	27,312,000	46,430,400
Wyoming............	5,773,390	3,959,000	6,730,300
Puerto Rico........	43,450,210	28,932,000	49,184,400
Trust Territories..	3,647,960	4,600,000	7,820,000
Virgin Islands.....	4,866,130	5,178,000	8,802,600
General Reserve....	--	35,469,000	--
Designated Reserves	--	154,750,000	--
Total Avail./Est....	1,253,799,880	1,295,000,000 a/	1,874,575,000 b/

a/ This includes up to $35 million for the Deferred Mortgage Demonstration Project.
b/ Includes Investment Proposal.

FARM SERVICE AGENCY
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 and Estimated 1993 and 1994

Rural Housing Insurance Fund
Low Income Loan Program-Guaranteed Non-Subsidized Loans

	1992 Amount	1993 Amount	1994 Amount
Alabama..............	708,910	8,104,000	17,828,800
Alaska...............	1,737,600	1,348,000	2,965,600
Arizona..............	2,101,150	3,352,000	7,374,400
Arkansas.............	2,127,840	6,359,000	13,989,800
California...........	3,019,240	13,685,000	30,107,000
Colorado.............	2,526,190	3,136,000	6,899,200
Connecticut..........	1,109,600	2,582,000	5,680,400
Delaware.............	1,041,030	1,000,000	2,634,000
Florida..............	9,751,270	8,692,000	19,122,400
Georgia..............	41,218,860	11,390,000	25,058,000
Hawaii...............	84,400	1,434,000	3,154,800
Idaho................	803,300	2,178,000	4,791,600
Illinois.............	4,577,110	9,569,000	21,051,800
Indiana..............	2,267,690	8,067,000	17,747,400
Iowa.................	4,339,810	5,307,000	11,675,400
Kansas..............	838,360	3,971,000	8,736,200
Kentucky.............	3,331,370	9,693,000	21,324,600
Louisiana............	2,603,800	7,263,000	15,978,600
Maine................	7,448,800	3,525,000	7,755,000
Maryland.............	5,198,380	3,760,000	8,272,000
Massachusetts........	6,457,860	4,581,000	10,078,200
Michigan.............	5,246,470	10,940,000	24,068,000
Minnesota............	14,208,880	6,091,000	13,400,200
Mississippi..........	355,550	7,236,000	15,919,200
Missouri.............	7,744,650	7,656,000	16,843,200
Montana..............	125,000	1,788,000	3,933,600
Nebraska.............	1,123,350	2,374,000	5,222,800
Nevada...............	239,300	1,000,000	2,200,000
New Hampshire........	1,155,500	2,250,000	4,950,000
New Jersey...........	865,600	3,450,000	7,590,000
New Mexico...........	1,087,240	2,712,000	5,966,400
New York.............	109,500	12,088,000	26,593,600
North Carolina.......	8,271,190	15,037,000	33,081,400
North Dakota.........	25,890	1,430,000	3,146,000
Ohio.................	14,999,650	12,862,000	28,296,400
Oklahoma.............	776,300	5,084,000	11,184,800
Oregon...............	1,399,380	4,983,000	10,962,600
Pennsylvania.........	2,567,290	15,665,000	34,463,000
Rhode Island.........	654,850	1,000,000	2,634,000
South Carolina.......	4,845,170	7,686,000	16,909,200
South Dakota.........	3,510,530	1,906,000	4,193,200
Tennessee............	4,506,070	8,992,000	19,782,400
Texas................	1,030,520	15,903,000	34,986,600
Utah.................	2,361,950	1,231,000	2,708,200
Vermont..............	89,710	1,804,000	3,968,800
Virginia.............	19,653,530	9,343,000	20,554,600
Washington...........	3,877,920	5,681,000	12,498,200
West Virginia........	753,800	5,875,000	12,925,000
Wisconsin............	2,273,560	7,340,000	16,148,000
Wyoming..............	6,599,020	1,152,000	2,534,400
Puerto Rico..........	453,530	7,945,000	17,479,000
Trust Territories....	--	1,000,000	2,200,000
Virgin Islands.......	188,000	1,000,000	2,200,000
General Reserve......	--	20,000,000	--
Total, Available or Estimate.........	214,391,470	329,500,000 a/	681,768,000 b/

a/ Excludes Stimulus Proposal.
b/ Includes Investment Proposal.

FARM SERVICE AGENCY
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 and Estimated 1993 and 1994

Rural Housing Insurance Fund
Very-Low Income Housing Repair Loan Program

	1992 Amount	1993 Amount	1994 Amount
Alabama	383,090	292,000	1,241,000
Alaska	4,100	49,000	208,250
Arizona	76,370	116,000	493,000
Arkansas	329,510	213,000	905,250
California	215,560	348,000	1,479,000
Colorado	85,630	75,000	318,750
Connecticut	17,030	47,000	199,750
Delaware	16,990	21,000	89,250
Florida	201,710	232,000	986,000
Georgia	387,070	362,000	1,538,500
Hawaii	22,410	39,000	165,750
Idaho	35,610	60,000	255,000
Illinois	261,640	253,000	1,075,250
Indiana	94,440	225,000	956,250
Iowa	235,550	146,000	620,500
Kansas	105,990	110,000	467,500
Kentucky	565,930	351,000	1,491,750
Louisiana	386,770	262,000	1,113,500
Maine	255,920	93,000	395,250
Maryland	56,170	100,000	425,000
Massachusetts	72,850	90,000	382,500
Michigan	178,050	284,000	1,207,000
Minnesota	262,540	182,000	773,500
Mississippi	371,870	267,000	1,134,750
Missouri	284,480	231,000	981,750
Montana	16,330	52,000	221,000
Nebraska	128,000	69,000	293,250
Nevada	15,890	18,000	76,500
New Hampshire	48,970	48,000	204,000
New Jersey	80,350	67,000	284,750
New Mexico	151,900	99,000	420,750
New York	364,020	265,000	1,126,250
North Carolina	368,290	465,000	1,976,250
North Dakota	9,550	42,000	178,500
Ohio	292,650	346,000	1,470,500
Oklahoma	99,570	169,000	718,250
Oregon	161,710	122,000	518,500
Pennsylvania	741,640	388,000	1,649,000
Rhode Island	--	11,000	46,750
South Carolina	338,240	251,000	1,066,750
South Dakota	38,290	55,000	233,750
Tennessee	364,550	307,000	1,304,750
Texas	646,950	557,000	2,367,250
Utah	7,871	36,000	153,000
Vermont	26,060	39,000	165,750
Virginia	290,200	311,000	1,321,750
Washington	158,380	143,000	607,750
West Virginia	300,500	199,000	845,750
Wisconsin	289,690	199,000	845,750
Wyoming	8,070	32,000	136,000
Puerto Rico	238,060	356,000	1,513,000
Trust Territories	1,223,890	754,000	3,203,250
Virgin Islands	12,600	25,000	106,250
General Reserve	--	890,000	--
Designated Reserve	--	567,000	--
Undistributed	--	13,500,000 a/	--
Total Avail./Est.	11,329,501	24,830,000 b/	41,959,000 c/

a/ $39,500,000 authorized by the Dire Emergency Supplemental Appropriation Act, P.L. 102-368, dated September 23, 1992, to provide assistance to distressed communities as a result of natural disasters. To date, $13,500,000 has been requested and made available.
b/ Excludes Stimulus Proposal.
c/ Includes Investment Proposal.

FARM SERVICE AGENCY
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 and Estimated 1993 and 1994

Rural Housing Insurance Fund
Rural Rental Loan Program

	1992 Amount	1993 Amount	1994 Amount
Alabama	16,345,020	15,781,000	17,753,625
Alaska	2,425,000	2,094,000	2,355,750
Arizona	6,648,100	5,909,000	6,647,625
Arkansas	13,761,690	11,806,000	13,281,750
California	17,033,590	17,062,000	19,194,750
Colorado	3,801,020	3,901,000	4,388,625
Connecticut	3,031,890	2,414,000	2,715,750
Delaware	2,249,000	1,750,000	1,996,188
Florida	19,038,370	12,594,000	14,168,250
Georgia	24,549,540	19,638,000	22,092,750
Hawaii	--	1,794,000	2,018,250
Idaho	4,708,320	3,347,000	3,765,375
Illinois	11,978,660	12,400,000	13,950,000
Indiana	13,588,570	11,367,000	12,787,875
Iowa	11,560,520	7,566,000	8,511,750
Kansas	5,728,680	5,656,000	6,363,000
Kentucky	21,461,800	18,970,000	21,341,250
Louisiana	12,102,100	14,216,000	15,993,000
Maine	12,017,800	4,873,000	5,482,125
Maryland	7,741,700	4,904,000	5,517,000
Massachusetts	4,185,250	4,487,000	5,047,875
Michigan	16,688,130	14,529,000	16,345,125
Minnesota	13,685,440	9,348,000	10,516,500
Mississippi	17,710,730	14,998,000	16,872,750
Missouri	14,971,690	12,277,000	13,811,625
Montana	156,170	2,680,000	3,015,000
Nebraska	5,324,330	3,736,000	4,203,000
Nevada	1,513,200	1,750,000	1,996,187
New Hampshire	4,275,390	2,424,000	2,727,000
New Jersey	4,151,900	3,453,000	3,884,625
New Mexico	6,602,330	5,250,000	5,906,250
New York	19,864,160	13,954,000	15,698,250
North Carolina	31,934,260	24,464,000	27,522,000
North Dakota	1,805,000	2,367,000	2,662,875
Ohio	19,059,130	17,457,000	19,639,125
Oklahoma	9,873,550	8,948,000	10,066,500
Oregon	7,870,780	6,107,000	6,870,375
Pennsylvania	20,379,950	19,400,000	21,825,000
Rhode Island	1,200,000	1,750,000	1,968,750
South Carolina	14,036,710	13,391,000	15,064,875
South Dakota	7,171,510	3,232,000	3,636,000
Tennessee	16,780,570	16,504,000	18,567,000
Texas	29,933,600	28,384,000	31,932,000
Utah	1,734,260	1,954,000	2,198,250
Vermont	3,729,780	2,102,000	2,364,750
Virginia	19,602,990	15,190,000	17,088,750
Washington	13,961,120	7,046,000	7,926,750
West Virginia	11,681,060	10,169,000	11,440,125
Wisconsin	12,722,620	9,787,000	11,010,375
Wyoming	1,477,400	1,750,000	1,968,750
Puerto Rico	27,317,910	27,385,000	30,808,125
Virgin Islands	2,727,150	1,750,000	1,968,750
Trust Territories	--	1,750,000	--
N/O Reserves	--	86,085,000	--
Total Avail./Est.	573,899,440	573,900,000	546,878,000

FARM SERVICE AGENCY
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 and Estimated 1993 and 1994

Rural Housing Insurance Fund
Farm Labor Housing Loan Program

	1992 Amount	1993 Amount	1994 Amount
Arizona............	--		
Arkansas...........	230,500	--	--
California.........	7,800,800	--	--
Colorado...........	997,630	--	--
Delaware...........	677,470		
Florida............	2,706,610	--	--
Georgia............	30,000		
Hawaii.............	577,800	--	--
Idaho..............	394,000		
Maine..............	--	--	--
Michigan...........	135,000	--	--
Minnesota..........	--	--	--
Mississippi........	238,000	--	--
Nevada.............	132,400		
New Hampshire......	--	--	--
New Jersey.........	567,400	--	--
New York...........	92,000	--	--
Oregon.............	457,200	--	--
Vermont............	839,000	--	--
Virginia...........	66,630		
Washington.........	--	--	--
Wisconsin..........	--	--	--
Total Avail./Est....	15,942,440	16,300,000 a/	16,012,0

Rural Housing Site Loan Program

	1992 Amount	1993 Amount	1994 Amount
alifornia.........	350,000	--	--
innesota..........	21,400	--	--
otal Avail./Est...	371,400	600,000 a/	616,00

/ Cannot be distributed by geographic area in advance.

FARM SERVICE AGENCY
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 and Estimated 1993 and 1994

Housing Credit Sales

	1992 Amount	1993 Amount	1994 Amount
Alabama............	9,322,770	--	--
Alaska.............	971,880	--	--
Arizona............	3,953,910	--	--
Arkansas...........	4,577,600	--	--
California.........	3,660,210	--	--
Colorado...........	2,049,300	--	--
Connecticut........	250,700	--	--
Delaware...........	122,500	--	--
Florida............	10,088,020	--	--
Georgia............	11,155,810	--	--
Idaho..............	3,553,070	--	--
Illinois...........	2,317,940	--	--
Indiana............	2,636,550	--	--
Iowa...............	420,620	--	--
Kansas.............	1,134,460	--	--
Kentucky...........	2,825,350	--	--
Louisiana..........	9,772,310	--	--
Maine..............	764,770	--	--
Maryland...........	384,910	--	--
Massachusetts......	490,490	--	--
Michigan...........	2,769,320	--	--
Minnesota..........	1,031,300	--	--
Mississippi........	15,788,620	--	--
Missouri...........	8,890,040	--	--
Montana............	921,500	--	--
Nebraska...........	1,021,510	--	--
Nevada.............	484,570	--	--
New Hampshire......	336,400	--	--
New Jersey.........	800,550	--	--
New Mexico.........	3,354,810	--	--
New York...........	834,160	--	--
North Carolina.....	7,023,430	--	--
North Dakota.......	2,311,880	--	--
Ohio...............	2,500,030	--	--
Oklahoma...........	5,525,720	--	--
Oregon.............	3,513,870	--	--
Pennsylvania.......	520,930	--	--
Rhode Island.......	95,660	--	--
South Carolina.....	14,424,380	--	--
South Dakota.......	245,500	--	--
Tennessee..........	6,331,510	--	--
Texas..............	12,986,670	--	--
Utah...............	2,151,160	--	--
Vermont............	105,000	--	--
Virginia...........	4,729,440	--	--
Washington.........	1,093,530	--	--
West Virginia......	3,058,270	--	--
Wisconsin..........	2,569,590	--	--
Wyoming............	1,174,470	--	--
Puerto Rico........	6,755,010	--	--
Total Avail./Est...	183,802,000	187,000,000 a/	168,955,000 a/

a/ Cannot be distributed by geographic area in advance.

FARM SERVICE AGENCY

The 1994 Budget Estimates include language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rental Assistance Program:

For rental assistance agreements entered into or renewed pursuant to the
1 authority under section 521(a)(2) or agreements entered into in lieu of debt
forgiveness or payments for eligible households as authorized by section
502(c)(5)(D) of the Housing Act of 1949, as amended, [$337,699,000]
$346,817,000; and in addition such sums as may be necessary, as authorized
by section 521(c) of the Act, to liquidate debt incurred prior to fiscal
2 year [1993] 1992 to carry out the Rental Assistance Program under section
3 521(a)(2) of the Act: Provided, [That of this amount not more than
$11,800,000 shall be available for debt forgiveness or payments for eligible households as authorized by section 502(c)(5)(D) of the Act, and not to exceed $10,000 per project for advances to nonprofit organizations or public agencies to cover direct costs (other than purchase price) incurred in purchasing projects pursuant to section 502(c)(5)(C) of the Act: Provided further, That of this amount not less than $122,532,000 is available for newly constructed units financed by section 515 of the Housing Act of 1949, as amended, and not more than $5,214,000 is for newly constructed units financed under sections 514 and 516 of the Housing Act of 1949: Provided further, That $199,034,000 is available for expiring agreements and for servicing of existing units without agreements: Provided further,] That agreements entered into or renewed during fiscal year [1993] 1994 shall be funded for a five-year period, although the life of any such agreement may
4 be extended to fully utilize amounts obligated[: Provided further, That
agreements entered into or renewed during fiscal years 1989, 1990, 1991, and 1992 may also be extended beyond five years to fully utilize amounts obligated].

The first change restates and relocates the existing language which authorizes the use of funds for rental assistance agreements for making such payments in lieu of debt forgiveness.

The second change corrects the fiscal year cited as the first year this authority was established in this account. Obligations prior to fiscal year 1992 were funded under the Rural Housing Insurance Fund, and as such were originally financed with that fund's authority to borrow. The unliquidated balances of contracts obligated prior to FY 1992 were transferred to this account at the beginning of FY 1992 under credit reform regulations. To liquidate the balances of rental assistance contracts transferred, the Agency replaces borrowing authority with a current indefinite appropriation each year as needed to honor payment requests.

The third change deletes language concerning authorizing and limiting cost advances to nonprofit organizations or public agencies from the rental assistance program account. These cost advances are not part of the rental assistance program nor are they even related to this program. Before Credit Reform, similar language was under the Rural Housing Insurance Fund, where it was inappropriately identified to be a component of the calculated annual appropriation for loss. The remainder of the language deletion removes activity level limitations for the various categorical uses of rental assistance (new construction, renewals, servicing, and debt forgiveness). The language requested will provide the Agency with programmatic flexibility to address its evolving rural rental assistance needs and will aid the Agency in formulating an optimum mix for rental assistance usage.

The fourth change deletes language providing for the extension of five-year rental assistance agreements for the fiscal years of 1989, 1990, 1991, and 1992. This language had been included when rental assistance was transferred out of the Rural Housing Insurance Fund in fiscal year 1992. Prior years were included in the language to ensure their coverage under the new account. This language is no longer necessary.

Rental Assistance Program

Appropriations Act, 1993	$337,699,000
Budget Estimate, 1994	346,817,000
Increase in Appropriation	9,118,000

PROJECT STATEMENT
(On basis of appropriation)
(In thousands of dollars)

Project	1992 Actual	1993 Appropriated	Increase or Decrease	1994 Estimated
Rental assistance (sec. 521)	$319,605	$325,899	$15,018 (1)	$340,917
Rental assistance in lieu of debt forgiveness (sec. 502(c)(5)(D))	241	11,800	-5,900 (2)	5,900
Unobligated balance, expiring	54	--		--
Total Appropriation	319,900	337,699	9,118	346,817
Investment Proposal		--	75,000	75,000
Total President's Budget		337,699	84,118	421,817

Staff years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

The rental assistance program is authorized under section 521(a)(2) of the Housing Act of 1949, as amended. The program is administered in tandem with FmHA section 515 rural rental and cooperative housing programs, or the farm labor housing loan and grant programs. Rental assistance payments are authorized to be made to owners of FmHA financed rural rental or cooperative housing or domestic farm labor housing facilities in order that low-income tenants will contribute towards their rent no more than the higher of (1) 30 percent of monthly adjusted income, (2) 10 percent of monthly income, or (3) designated housing payments from a welfare agency. Under this program, funding is provided for newly constructed units, renewals of existing rental assistance contracts, and for additional servicing assistance for existing projects.

Beginning in FY 1989, Congress has authorized and appropriated assistance under section 502(c)(5)(D) for debt forgiveness or payments for eligible households to subsidize tenant rents in projects purchased by eligible nonprofit organizations or public agencies to prevent diversion of low-income rental housing by virtue of section 515 loan prepayment. The agency has used the subsidy payment mechanism of the rental assistance program to accomplish this mandate.

JUSTIFICATION OF INCREASE/DECREASE

(1) An increase of $15,018,000 for the section 521 rental assistance program ($325,899,000 available in FY 1993).

Need for Change. The Budget proposes to continue the section 521 rental assistance program at the 1993 level plus inflation.

Nature of Change. The baseline level will enable the Agency to provide section 521 rental assistance payments to an estimated 27,870 units (18,070 units for renewals and 9,800 units for new construction). The units supported increases to an estimated 33,810 when including the Investment increase (22,870 units for renewals, 9,800 units for new construction, and 1,140 units for servicing and other purposes). This increased level should provide adequate new construction coverage, should satisfy the anticipated rental assistance contract renewal requirements, and provide a minimal number of units for servicing needs.

(2) A decrease of $5,900,000 for the section 502(c)(5)(D) rental assistance program ($11,800,000 available in FY 1993).

Need for Change. The Budget proposes to continue providing rental assistance as needed through the section 502(c)(5)(D) rental assistance program in the form of monthly payments (in lieu of forgiveness of debt) to ensure that low and very low-income families are not adversely impacted by the sale (at market value) of existing projects to participating nonprofit housing organizations. However, since activity under this program has not approached appropriated levels to date as project owners have opted to accept the "incentive program" rather than sell their projects to participating nonprofit organizations, a reduction of 50 percent in program level is proposed for FY 1994.

Nature of Change. The reduced program level will still enable the Agency to provide section 502(c)(5)(D) rental assistance payments to an estimated 490 units.

Rental Assistance Program
Summary of Investment Proposal

SUMMARY OF INCREASE - INVESTMENT PROPOSAL
(In thousands of dollars)

	FY 1994		
Project	Base Request	Investment Proposal	Total Request
Rental assistance (sec. 521).......	$340,917	$75,000	$415,917
Rental assistance in lieu of debt forgiveness (sec. 502(c)(5)(D))...................	5,900	0	5,900
Total Appropriation...............	346,817	75,000	421,817

Explanation of Investment Proposal

The Investment Initiative proposes that additional resources be provided to improve the quality of life for rural residents. Under the Administration's Rural Development Initiative, the Investment in the Rental Assistance Program will improve the housing conditions of very low-income, rural residents. The proposed increase of $75,000,000 will enable the Agency to make available an estimated additional 5,940 FSA-financed rental housing units to very low-income tenants at affordable rental rates.

The proposed Investment increment of $75,000,000 allows the Agency to meet the increasing contract renewal need and provides a minimal number of units for servicing needs. The anticipated rental assistance contract renewal requirements are currently projected at 22,870 units in FY 1994, increasing to 37,700 units by FY 1997. Also, a recent survey conducted by the Agency indicated that over 80,000 existing tenants are rent-overburdened and need rental assistance, and that there are 22,800 vacant units that could use rental assistance to attract eligible applicants.

Proposed Language

Rental Assistance Program:

> In addition to funding already available, $75,000,000 for rental assistance agreements entered into or renewed pursuant to the authority under section 521(a)(2) of the Housing Act of 1949, as amended: Provided, That agreements entered into or renewed during fiscal year 1994 shall be funded for a five-year period, although the life of any such agreement may be extended to fully utilize amounts obligated.

This language supports the Administration's effort to provide economic stimulus through investment in improving the national infrastructure.

FARM SERVICE AGENCY
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 and Estimated 1993 and 1994

Rural Housing Insurance Fund
Rural Rental Assistance Payments (Sec. 521)

	1992 Amount	1993 Amount	1994 Amount
Alabama	10,362,247	--	--
Alaska	1,877,548	--	--
Arizona	5,606,370	--	--
Arkansas	7,157,657	--	--
California	11,068,004	--	--
Colorado	4,272,597	--	--
Connecticut	1,131,340	--	--
Delaware	2,050,592	--	--
Florida	17,583,830	--	--
Georgia	7,934,748	--	--
Hawaii	732,942	--	--
Idaho	3,706,739	--	--
Illinois	9,992,027	--	--
Indiana	5,427,491	--	--
Iowa	6,563,101	--	--
Kansas	2,922,403	--	--
Kentucky	9,942,761	--	--
Louisiana	11,963,946	--	--
Maine	16,513,179	--	--
Maryland	6,247,481	--	--
Massachusetts	2,607,841	--	--
Michigan	7,825,576	--	--
Minnesota	5,538,105	--	--
Mississippi	17,203,879	--	--
Missouri	3,601,600	--	--
Montana	1,033,956	--	--
Nebraska	2,197,491	--	--
Nevada	740,343	--	--
New Hampshire	3,170,902	--	--
New Jersey	2,937,782	--	--
New Mexico	3,711,926	--	--
New York	6,719,478	--	--
North Carolina	18,343,048	--	--
North Dakota	1,906,030	--	--
Ohio	9,031,377	--	--
Oklahoma	5,305,664	--	--
Oregon	5,715,760	--	--
Pennsylvania	11,546,824	--	--
Rhode Island	513,720	--	--
South Carolina	6,403,945	--	--
South Dakota	4,913,339	--	--
Tennessee	6,403,176	--	--
Texas	15,328,875	--	--
Utah	2,312,100	--	--
Vermont	1,132,895	--	--
Virginia	9,628,264	--	--
Washington	5,027,914	--	--
West Virginia	5,838,956	--	--
Wisconsin	4,270,228	--	--
Wyoming	1,268,674	--	--
Puerto Rico	3,970,917	--	--
Virgin Islands	638,765	--	--
Total Avail./Est...	319,846,353	325,899,000 a/	415,917,000 a/b/

a/ Cannot be distributed by geographic area in advance.
b/ Includes Investment Proposal.

FARM SERVICE AGENCY
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 and Estimated 1993 and 1994

Rural Housing Insurance Fund
Rental Assistance (Sec. 502 (c)(5)(D))

	1992 Amount	1993 Amount	1994 Amount
Iowa...............	240,971	--	--
Total Avail.Est....	240,971	11,800,000 a/	5,900,000

a/ Cannot be distributed by geographic area in advance.

FARM SERVICE AGENCY
Rural Housing Voucher Program

Appropriations Act, 1993	0
Budget Estimate, 1994	0
Increase in Appropriation	0

PROJECT STATEMENT
(On basis of appropriation)
(In thousands of dollars)

Project	1992 Actual	1993 Appropriated	Increase or Decrease	1994 Estimated
Rural housing vouchers, appropriation	0	0	0	0
Investment Proposal			$75,000	$75,000
Total President's Budget			75,000	75,000

Staff years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

The Rural Housing Voucher Program is authorized under section 542 of Title V of the Housing Act of 1949, as amended. This program will provide housing assistance payments to individuals and families based on the difference between what the family can afford for rental housing, up to 30 percent of their income, and the cost of rental housing in the community, based on the fair market rental rate established by the Secretary for the area.

This appropriation account will also continue to disburse funds for new construction rental assistance units obligated in prior years.

Rural Housing Voucher Program
Summary of Investment Proposal

SUMMARY OF INCREASE - INVESTMENT PROPOSAL
(In thousands of dollars)

	FY 1994		
Project	Base Request	Investment Proposal	Total Request
Rural housing vouchers, appropriation	0	$75,000	$75,000

Explanation of Investment Proposal

The investment proposal for the voucher program will improve the housing conditions of very low-income, rural residents. A rural rental subsidy similar to rental assistance will be provided through housing vouchers, targeted for areas where rural housing units are available but not currently affordable for very low-income persons. The $75,000,000 investment in this program will provide 5-year voucher agreements for an estimated 3,750 housing units. These vouchers could be used for any available housing in the area that best meets the tenant's needs, and can be used for, but is not tied to, FSA-financed rental units.

Proposed Language

Rural [Rental Assistance Payments] Housing Voucher Program:

> For necessary expenses to operate a rural housing voucher program as authorized by section 542 of title V of the Housing Act of 1949, as amended, $75,000,000, to be administered by the Secretary of Agriculture.

This language supports the Administration's effort to provide economic stimulus through investment in improving the national infrastructure.

Geographic breakdown of obligations of $75,000,000 for FY 1994 cannot be distributed by geographic area in advance.

FARM SERVICE AGENCY

The 1994 Budget Estimates include proposed language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Self-Help Housing Land Development Fund Program Account:

For direct loans pursuant to section 523(b)(1)(B) of the Housing Act of 1949, as amended (42 U.S.C. 1490c), [$500,000] $622,000.

For an amount, for the cost, as defined in section 502 of the Congressional Budget Act of 1974, of direct loans [$22,000] $23,000.

In addition, for administrative expenses necessary to carry out the direct loan program, [$21,000] $14,000.

Self-Help Housing Land Development Fund - Program Account
(On basis of loan level, subsidy, and administrative expenses)
(In thousands of dollars)

	Loan Level	Subsidy	Administrative Expenses
Appropriation Act, 1993	$500	$22	$21
Budget Estimate, 1994	622	23	14
Change in Appropriation	+122	+1	-7

PROJECT STATEMENT
(On basis of loan level, subsidy, and administrative expenses)
(In thousands of dollars)

Project	1992 Actual	1993 Appropriated	Increase or Decrease	1994 Estimated
Self-Help housing site loans:				
Direct loans	$500	$500	$122 (1)	$622
Direct loans subsidy	28	22	1 (2)	23
Administrative expense	21	21	-7 (3)	14

Staff-years are reflected in the Salaries and Expenses Project Statement.

PROJECT STATEMENT
(On basis of 1993 loan level and subsidy supportable under 1993 Appropriation Act)
(In thousands of dollars)

Item of Change	1993 Appropriated	Decrease	1993 Current Estimate
Self-help housing site loans:			
Direct loans	$500	0	$500
Direct loan subsidy	22	$-13	9

EXPLANATION OF PROGRAM

This revolving fund is authorized under Section 523 (b)(1)(B) of the Housing Act of 1949, as amended. The fund is used for making loans to public or private nonprofit organizations for the acquisition and development of land as building sites to be subdivided and sold to eligible families, nonprofit organizations, and cooperatives.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $122,000 for mutual and self-help housing site loan program ($500,000 available in FY 1993).

Need for Change. The Budget proposes an increase in the amount available for mutual and self-help housing site loans as part of the Administration's efforts to encourage greater rural development.

Nature of Change. The program level will provide 1 loan in FY 1994.

(2) An increase of $1,000 for the direct loan subsidy ($22,000 available in FY 1993).

Need for Change. This estimated subsidy amount is necessary to support the direct loan obligations associated with the supportable FY 1994 loan level.

(3) An decrease of $7,000 in administrative expenses ($21,000 available in FY 1993).

Need for Change. Justification for administrative expenses in the amount of $14,000 and related staff-years is reflected in the Salaries and Expenses Project Statement.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 and Estimated 1993 and 1994

Self-Help Housing Land Development Fund

	1992 Amount	1993 Amount	1994 Amount
California.........	500,000	--	--
Total Avail./Est...	500,000	500,000 a/	622,000 a/

a/ Cannot be distributed by geographic area in advance.

FARM SERVICE AGENCY

The 1994 Budget Estimates include proposed language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Very Low-Income Housing Repair Grants

For grants to the very low-income elderly for essential repairs to dwellings pursuant to section 504 of the Housing Act of 1949, as amended, [$12,500,000] $12,838,000 to remain available until expended.

Very Low-Income Housing Repair Grants

Appropriation Act, 1993	$12,500,000
Budget Estimate, 1994	12,838,000
Increase in Appropriation	338,000

PROJECT STATEMENT
(On basis of appropriation and
on basis of obligations under available funds)

Project	1992 Actual	1993 Appropriated	Increase or Decrease	1994 Estimated
Very low-income housing repair grants	$12,802,968	$22,529,640	$-9,691,640	$12,838,000
Recovery of prior year obligations	-312,681	0	0	0
nobligated balance available, start of year	-19,927	-10,029,640	10,029,640	0
Unobligated balance available, end of year	10,029,640	0	0	0
Total Appropriation	22,500,000	12,500,000	338,000	12,838,000
Economic Stimulus		5,635,000		
Investment Proposal				18,000,000
Total President's Budget		18,135,000		30,838,000

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This grant program is authorized under section 504 of the Housing Act of 1949, as amended. The rural housing repair grant program is carried out by making grants to very low-income elderly owner-occupants to make necessary repairs to improve and modernize their dwellings in order to remove safety and health hazards.

The grants may be made to cover the cost of improvements or additions, such as repairing roofs, providing toilet facilities, providing a convenient and sanitary water supply, installing screens, repairing or providing structural supports, or making similar repairs, additions, or improvements including all preliminary and installation costs in obtaining central water and sewer service. A grant can be made in combination with a section 504 very low-income housing repair loan. The Agency has determined that grants carry a lifetime assistance limitation of $5,000 er recipient; and the maximum loan assistance is $15,000.

JUSTIFICATION OF INCREASE

An increase of $338,000 for very low-income housing repair grants ($12,500,000 available in FY 1993).

Need for Change. This increase is part of the Administration's effort to stimulate the economy in rural communities.

Nature of Change. The increased funds for the program reflect the impact of inflation on the 1993 level.

Summary of Investment Proposal

SUMMARY OF INCREASES AND DECREASES - INVESTMENT PROPOSAL

Item of Change	1994 Base Request	1994 Investment Proposal	1994 Total Request
Very low-income housing repair grants	$12,838,000	$18,000,000	$30,838,000
Total Available	12,838,000	18,000,000	30,838,000

Explanation of Investment Proposal

The additional funding will provide resources for a dramatic increase in the number of very low-income families that would receive assistance for necessary repairs to their homes. Slightly over 4,900 families will benefit from this proposal. In addition, the proposal will provide a boost in the local construction industry.

Proposed Language

For grants to the very low-income elderly for essential repairs to dwellings pursuant to section 504 of the Housing Act of 1949, as amended, $18,000,000, to remain available until expended.

FARM SERVICE AGENCY
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 and Estimated 1993 and 1994

Very-Low Income Housing Repair Grant Program

	1992 Amount	1993 Amount	1994 Amount
Alabama............	339,620	318,000	890,400
Alaska.............	42,000	42,000	117,600
Arizona............	150,290	123,000	344,400
Arkansas...........	319,330	249,000	697,200
California.........	220,410	403,000	1,128,400
Colorado...........	118,650	86,000	259,800
Connecticut........	15,990	67,000	187,600
Delaware...........	10,000	25,000	70,000
Florida............	342,840	312,000	873,600
Georgia............	496,018	392,000	1,097,600
Hawaii.............	39,550	39,000	109,200
Idaho..............	57,270	69,000	193,200
Illinois...........	381,390	334,000	935,200
Indiana............	317,530	279,000	781,200
Iowa...............	187,540	206,000	576,800
Kansas.............	156,020	157,000	439,600
Kentucky...........	441,010	369,000	1,033,200
Louisiana..........	412,370	277,000	775,600
Maine..............	231,570	111,000	310,800
Maryland...........	96,180	115,000	322,000
Massachusetts......	87,150	127,000	355,600
Michigan...........	359,600	350,000	980,000
Minnesota..........	255,560	235,000	658,000
Mississippi........	353,450	284,000	795,200
Missouri...........	342,750	296,000	828,800
Montana............	71,690	61,000	170,800
Nebraska...........	137,370	100,000	280,000
Nevada.............	23,570	20,000	56,000
New Hampshire......	66,950	62,000	173,600
New Jersey.........	105,850	97,000	271,600
New Mexico.........	105,790	97,000	290,600
New York...........	370,930	353,000	988,400
North Carolina.....	601,420	513,000	1,436,400
North Dakota.......	72,930	55,000	154,000
Ohio...............	445,820	417,000	1,167,600
Oklahoma...........	219,030	209,000	585,200
Oregon.............	155,850	151,000	422,800
Pennsylvania.......	758,960	514,000	1,439,200
Rhode Island.......	5,350	15,000	42,000
South Carolina.....	311,590	263,000	736,400
South Dakota.......	202,760	70,000	196,000
Tennessee..........	528,530	341,000	954,800
Texas..............	767,220	641,000	1,794,800
Utah...............	39,110	40,000	112,000
Vermont............	66,200	49,000	137,200
Virginia...........	361,130	333,000	932,400
Washington.........	198,110	170,000	476,000
West Virginia......	258,760	218,000	610,400
Wisconsin..........	346,260	260,000	728,000
Wyoming............	32,860	35,000	98,000
Puerto Rico........	416,340	337,000	943,600
Trust Territories..	343,000	300,000	840,000
Virgin Islands.....	15,000	14,000	39,200
General Reserve....	--	875,000	--
Designated Reserve.	--	625,000	--
Carryover..........	--	30	--
Undistributed......	--	10,000,000 a/	--
Total Avail./Est...	12,802,968	22,500,030 b/	30,838,000 c/

a/ Authorized by the Dire Emergency Supplemental Appropriation Act, P.L. 102-3 dated Septemer 23, 1992, to provide assistance to distressed communities as result of natural disasters.
b/ Excludes Stimulus Proposal.
c/ Includes Investment Proposal.

FARM SERVICE AGENCY

The 1994 Budget Estimates include proposed language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Housing for Domestic Farm Labor:

For financial assistance to eligible nonprofit organizations for housing for domestic farm labor, pursuant to section 516 of the Housing Act of 1949, as amended (42 U.S.C. 1486), [$11,000,000] $11,297,000, to remain available until expended.

Rural Housing for Domestic Farm Labor

Appropriations Act, 1993	$11,000,000
Budget Estimate, 1994	11,297,000
Increase in Appropriation	297,000

PROJECT STATEMENT
(On basis of adjusted appropriation
and on basis of obligations under available funds)

Project	1992 Actual	1993 Appropriated	Increase or Decrease	1994 Estimated
Rural housing for domestic farm labor grants	$13,518,790	$21,793,756	$-10,496,756	$11,297,000
Unobligated balance available, start of year	-2,758,371	-10,793,756	10,793,756	0
Recovery of prior year obligations	-54,175	0	0	0
Unobligated balance available, end of year	10,793,756	0	0	0
Total Appropriation	21,500,000	11,000,000	297,000	11,297,000

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

Under section 516 of the Housing Act of 1949, FSA is authorized to share with state or other political subdivisions, public or private nonprofit organizations, or nonprofit organizations of farmworkers the cost of providing low-rent housing, basic household furnishings, and related facilities to be used by domestic farm laborers. Such housing may be for year-round or seasonal occupancy, and may consist of family unit apartments or dormitory-type units, constructed in an economical manner. Grant assistance may not exceed 90 percent of the total development cost. Applicants furnish as much of the development cost as they can afford by using their own resources, by borrowing from either private sources or obtaining an insured loan under section 514 of the Housing Act. The applicant must agree to charge rents that do not exceed amounts approved by the Secretary, maintain the housing in a safe and sanitary condition, and give occupancy preference to domestic farm laborers.

The obligations incurred by the applicant as a condition of the grant continue for 50 years from the date of the grant unless terminated sooner by Farmers Home Administration. Grant obligations are secured by a mortgage on the housing or other security. In the event of default, the Farm Service Agency has the option to require repayment of the grant.

Justification of Increase

An increase of $297,000 for rural housing for domestic farm labor ($11,000,000 available in FY 1993).

Need for Change. The Administration recognizes the need to continue financial assistance for this program. However, the Department encourages this housing grant program be coordinated with the Department of Housing and Urban Development (HUD). The budget recommends that any additional grant funds needed be sought through HUD's newly created HOME Partnership block grant funds, and that FSA will establish a working relationship with the State and local boards who will receive HOME funding and guide prospective grant recipients to these boards. FSA can also provide housing assistance to the domestic farm laborer through its Section 521 Rental Assistance Program and the proposed Rural Housing Voucher Program.

Nature of Change. The requested amount will provide assistance for 520 housing units, in combination with the approximate $16,012,000 requested for the loan program, involving the award of 21 grants or contracts.

FARM SERVICE AGENCY
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 and Estimated 1993 and 1994

Farm Labor Housing Grants

	1992 Amount	1993 Amount	1994 Amount
California.........	--	--	--
Colorado...........	3,067,269	--	--
Delaware...........	1,419,594	--	--
Florida............	2,883,390	--	--
Hawaii.............	676,700	--	--
Idaho..............	3,544,040	--	--
Minnesota..........	54,200	--	--
New Mexico.........	--	--	--
New York...........	279,902	--	--
Oregon.............	846,083	--	--
Texas..............	611,127	--	--
Washington.........	136,460	--	--
N/O Contract.......	2	--	--
Carryover..........	--	--	--
Total Avail./Est...	13,518,767	21,793,756 a/b/	11,297,000 a/

a/ Cannot be distributed by geographic area in advance.

b/ Includes $10,500,000 authorized by the Dire Emergency Supplemental Appropriation Act, P.L. 102-368, dated September 23, 1992, to provide assistance to distressed communities as a result of natural disasters.

FARM SERVICE AGENCY

The 1994 Budget Estimates include proposed language for this item as follows (new language unerscored; deleted matter enclosed in brackets):

Mutual and Self-Help Housing Grants:

For grants and contracts pursuant to section 523(b)(1)(A) of the Housing Act of 1949 (42 U.S.C. 149c), [$12,750,000] $13,094,000, to remain available until expended (7 U.S.C. 2209b).

Mutual and Self-Help Housing Grants

Appropriation Act, 1993	$12,750,000
Budget Estimate, 1994	13,094,000
Increase in Appropriation	344,000

PROJECT STATEMENT
(On basis of adjusted appropriation and on basis of obligations under available funds)

Project	1992 Actual	1993 Appropriated	Increase or Decrease	1994 Estimated
Mutual and self-help housing grants	$8,104,118	$19,887,068	$-6,793,068	$13,094,000
Recovery of prior year obligations	-442,542	-175,620	175,620	0
Unobligated balance available, start of year	-5,873,024	-6,961,448	6,961,448	0
Unobligated balance available, end of year	6,961,448	0	0	0
Total Appropriation	8,750,000	12,750,000	344,000	13,094,000

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This grant program is authorized under section 523 of the Housing Act of 1949, as amended. Grants are made to local organizations to promote the development of mutual or self-help housing programs under which groups of usually six to ten families build their own homes by mutually exchanging labor. Funds may be used to pay the cost of construction supervisors who will work with families to guide them in the construction of their homes and for administrative expenses of the organizations providing the self-help assistance.

This program also provides for contract funds for training to be provided to members and staff of self-help technical assistance grant recipient organizations which sponsor and supervise self-help projects.

JUSTIFICATION OF INCREASE

An increase of $344,000 for mutual and self-help housing grants. ($12,750,00 available in FY 1993).

Need for Change. This increase is part of the Administration's efforts to stimulate the economy in rural communities.

Nature of Change. This increase is the result of inflation applied to the 1993 level. This increase would increase the number of participating families who would build their houses through the mutual exchange of labor.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 and Estimated 1993 and 1994

Mutual and Self-Help Housing Grants

	1992 Amount	1993 Amount	1994 Amount
Arizona	716,800	--	--
Arkansas	9,950	--	--
California	2,219,495	--	--
Colorado	298,790	--	--
Delaware	70,106	--	--
Florida	838,159	--	--
Hawaii	163,720	--	--
Maine	308,680	--	--
Maryland	10,000	--	--
Massachusetts	--	--	--
Michigan	9,600	--	--
Minnesota	10,000	--	--
Mississippi	1,127,320	--	--
New Mexico	--	--	--
Ohio	445,000	--	--
Oklahoma	235,768	--	--
Texas	112,420	--	--
Virginia	10,000	--	--
Washington	1,340,460	--	--
Wisconsin	177,850	--	--
Total Avail./Est...	8,104,118	19,711,447 a/b/	13,094,000 a/

a/ Cannot be distributed by geographic area in advance.
b/ Includes carryover of $6,961,447.

FARM SERVICE AGENCY

The 1994 Budget Estimates include proposed language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Housing Preservation Grants:

For grants for rural housing preservation as authorized by section 552 of the Housing and Urban-Rural Recovery Act of 1983 (Public Law 98-181), [$23,000,000] $23,621,000.

Rural Housing Preservation Grants

Appropriation Act, 1993	$23,000,000
Budget Estimate, 1994	23,621,000
Increase in Appropriation	621,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1992 Actual	1993 Appropriated	Increase	1994 Estimated
Rural housing preservation grants, appropriation	$23,000,000	$23,000,000	$621,000	$23,621,000

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This grant program is authorized under section 533 of the Housing Act of 1949, as amended. Grants are made to eligible private nonprofit groups, Indian tribes, and government agencies for the rehabilitation of single family housing owned by low-income and very low-income families and the rehabilitation of rental and cooperative housing for low and very low-income families.

Justification of Increase

An increase of $621,000 for housing preservation grants ($23,000,000 available in FY 1993).

Need for change. This increase is part of the Administration's efforts to stimulate the economy in rural communities.

Nature of Change. The increased funds for the program reflect the impact of inflation on the 1993 level.

FARM SERVICE AGENCY
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 and Estimated 1993 and 1994

Rural Housing Preservation Grant Program

	1992 Amount	1993 Amount	1994 Amount
Alabama............	610,000	611,000	696,540
Alaska.............	--	168,000	191,520
Arizona............	292,000	292,000	332,880
Arkansas...........	483,000	483,000	550,620
California.........	661,300	653,000	744,420
Colorado...........	344,000	226,000	257,640
Connecticut........	100,000	178,000	202,920
Delaware...........	200,000	136,000	155,040
Florida............	529,500	508,000	579,120
Georgia............	737,000	737,000	840,180
Hawaii.............	240,000	158,000	191,120
Idaho..............	450,000	208,000	237,120
Illinois...........	579,040	502,000	572,280
Indiana............	468,000	468,000	533,520
Iowa...............	390,000	345,000	393,300
Kansas.............	283,000	283,000	322,620
Kentucky...........	742,500	715,000	815,100
Louisiana..........	561,000	561,000	639,540
Maine..............	300,000	258,000	294,120
Maryland...........	330,000	259,000	295,260
Massachusetts......	383,750	245,000	279,300
Michigan...........	571,000	571,000	650,940
Minnesota..........	491,000	403,000	459,420
Mississippi........	600,000	586,000	668,040
Missouri...........	498,000	498,000	567,720
Montana............	250,000	187,000	213,180
Nebraska...........	372,000	221,000	251,940
Nevada.............	224,000	128,000	145,920
New Hampshire......	268,000	179,000	204,060
New Jersey.........	333,860	212,000	241,680
New Mexico.........	336,000	270,000	307,800
New York...........	593,520	552,000	629,280
North Carolina.....	893,000	893,000	1,018,020
North Dakota.......	350,000	177,000	201,780
Ohio...............	623,730	666,000	759,240
Oklahoma...........	590,000	390,000	444,600
Oregon.............	307,000	298,000	339,720
Pennsylvania.......	779,720	729,000	831,060
Rhode Island.......	114,000	118,000	134,520
South Carolina.....	600,000	534,000	608,760
South Dakota.......	232,250	205,000	233,700
Tennessee..........	674,600	635,000	723,900
Texas..............	1,020,000	1,020,000	1,162,800
Utah...............	200,000	163,000	185,820
Vermont............	252,000	168,000	191,520
Virginia...........	592,880	592,000	674,880
Washington.........	340,000	328,000	373,920
West Virginia......	457,620	430,000	490,200
Wisconsin..........	426,730	417,000	475,380
Wyoming............	137,000	148,000	180,720
Puerto Rico........	988,000	988,000	1,126,320
Trust Territories..	200,000	--	--
N/O Reserve........	--	2,300,000	--
Total Avail./Est...	23,000,000	23,000,000	23,621,000

FARMERS HOME ADMINISTRATION

The 1994 Budget Estimates include proposed language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Compensation for Construction Defects:

For compensation for construction defects as authorized by section 509(c) of the Housing Act of 1949, as amended, [$500,000] $514,000, to remain available until expended.

Compensation for Construction Defects

Appropriation Act, 1993	$500,000
Budget Estimate, 1994	514,000
Increase in Appropriation	14,000

PROJECT STATEMENT
(On basis of adjusted appropriation and on basis of obligations under available funds)

Project	1992 Actual	1993 Appropriated	Increase or Decrease	1994 Estimated
Compensation for construction defects	$193,277	$1,663,108	$-1,149,108	$514,000
Recovery of prior year obligations	0	0	0	0
Unobligated balance available, start of year	-856,385	-1,163,108	1,163,108	0
Unobligated balance available, end of year	1,163,108	0	0	0
Total Appropriation	500,000	500,000	14,000	514,000

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This grant program is authorized under section 509(c) of the Housing Act of 1949, as amended. The Secretary of Agriculture is authorized to make expenditures to correct structural defects, or to pay claims of owners arising from such defects on newly constructed dwellings purchased with FSA financial assistance. Claims will not be paid until provisions under the builder's warranty have been fully pursued. Requests for compensation for construction defects must be made within eighteen months after the date financial assistance was granted.

JUSTIFICATION OF INCREASE

An increase of $14,000 for the compensation of construction defects. ($500,000 available in FY 1993.

Need for Change. Continued funding for this program is necessary to ensure the quality of FSA homes financed.

Nature of Change. This increase is the result of inflation applied to the 1993 level and is sufficient to provide the assistance needed based on the experience of the last 10 years.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 and Estimated 1993 and 1994

Compensation for Construction Defects

	1992 Amount	1993 Amount	1994 Amount
Alabama............	3,350	--	--
Arizona............	270	--	--
Iowa...............	--	--	--
Kentucky...........	--	--	--
Louisiana..........	2,000	--	--
Maine..............	39,632	--	--
Michigan...........	906	--	--
Mississippi........	27,285	--	--
Missouri...........	1,420	--	--
New Hampshire......	28,620	--	--
New Mexico.........	20,946	--	--
New York...........	--	--	--
North Carolina.....	1,940	--	--
Ohio...............	14,303	--	--
Pennsylvania.......	17,950	--	--
South Carolina.....	--	--	--
South Dakota.......	--	--	--
Texas..............	10,643	--	--
Utah...............	--	--	--
Vermont............	21,074	--	--
Virginia...........	--	--	--
West Virginia......	2,938	--	--
Wisconsin..........	--	--	--
Virgin Islands.....	--	--	--
Total Avail./Est...	193,277	1,663,108 a/b/	514,000 a/

a/ Cannot be distributed by geographic area in advance.
b/ Includes carryover of $1,163,108.

FARM SERVICE AGENCY

The 1994 Budget Estimates include proposed language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Supervisory and Technical Assistance Grants:

For grants pursuant to sections 509(g)(6) and 525 of the Housing Act of 1949, [$2,500,000] $2,568,000, to remain available until expended.

Supervisory and Technical Assistance Grants

Appropriation Act, 1993	$2,500,000
Budget Estimate, 1994	2,568,000
Increase in Appropriation	68,000

PROJECT STATEMENT
(On basis of appropriation and
on basis of obligations under available funds)

Project	1992 Actual	1993 Appropriated	Increase or Decrease	1994 Estimated
Supervisory & technical assistance grants	0	$1,000,000	$3,568,000	$4,568,000
Recovery of prior year obligations	0	0	0	0
Unobligated balance available, start of year	0	-2,500,000	-1,500,000	-4,000,000
Unobligated balance available, end of year	$2,500,000	4,000,000	-2,000,000	2,000,000
Total Appropriation	2,500,000	2,500,000	68,000	2,568,000

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This grant program is authorized under section 509 of the Housing Act of 1949, as amended. Grants are made to public and private nonprofit organizations for packaging loan applications for housing assistance under the various housing programs of the Agency. The assistance is directed to very low-income families in underserved areas where at least 20 percent of the population is below the poverty level and at least 10 percent or more of the population resides in substandard housing.

JUSTIFICATION OF INCREASE

An increase of $68,000 for supervisory and technical assistance grants. ($2,500,000 available in FY 1993).

Need for Change. The increase is part of the Administration's expanded policy to make affordable safe and healthy housing to very low-income families.

Nature of Change. This increase is the result of inflation applied to the 1993 level.

Geographic breakdown of estimated obligations of $5,000,000 for FY 1993 and $2,568,000 for FY 1994 cannot be distributed by geographic area in advance.

WITNESSES

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Federal Crop Insurance Corporation

Soil Conservation Service

Rural Electrification Administration

Rural Development Administration

Agricultural Stabilization and Conservation Service

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